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WORLDWIDE

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WORLDWIDE LODGING INDUSTRY

3 Foreword/Avant-propos/Vorwort/Introducción

7 Comments From Around the World

26 The Worldwide Lodging Industry

28 International Hotels: Percentage of Distribution of Revenue and Expenses

32 Region I: Africa and the Middle East

47 Region II: Asia and Australasia

61 Region III: North America

75 Region IV: Europe

89 Region V: Latin America

104 Appendix: Explanation of Terms and Bases Used

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LIST OF EXHIBITS

All Hotels

	Exhibit	Page
Profile of Contributors		
General	1	27
Highlights	2	27
Market Data		
Worldwide Lodging Industry Revenue and Expenses	Chart 1	28
Five-Year Trend-All Hotels	3	29
Market Data-By Regions	4	30
Nationality of Guests	5	31

Africa and the Middle East

General Profile of Typical Contributor	I-1	32
Highlights	I-2	32
Africa and Middle East Lodging Industry Revenue and Expenses	Chart 2	33
Market Data	I-3	34
Nationality of Guests	I-4	34
Comparison of Sales and Profitability	I-5	35
Occupancy, Double Occupancy, Room Rates	I-6	35
Europe Occupancy Rates	Chart 3	35
Composition of Sales	I-7	36
Minor Operated Departments and Other Income	I-8	37
Food and Beverage Statistics	I-9	38–39
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics	I-10	40
Analysis of Undistributed Operating Expenses	I-11	41
Energy Costs Per Occupied Room Per Day	I-12	42
Method of Payment for Hotel Services	I-13	42
Credit Card Commission Annual Cost Per Occupied Room	I-14	42
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales	I-15	43
Balance Sheet Statistics-Liquidity Ratios	I-16	43
Statement of Income and Expenses Median Amounts Per Available Room	I-17	44
Ratio to Total Sales	I-18	45
Region I: Currency Conversion Tables		46

Asia and Australasia

General Profile of Typical Contributor	II-1	47
Highlights	II-2	47
Market Data	II-3	47
Nationality of Guests	II-4	48
Comparison of Sales and Profitability	II-5	48
Asia and Australasia Lodging Industry Revenue and Expenses	Chart 4	49
Occupancy, Double Occupancy, Room Rates	II-6	50
Composition of Sales	II-7	50
Asia and Australasia Occupancy Rates	Chart 5	50
Minor Operated Departments and Other Income	II-8	51
Food and Beverage Statistics	II-9	52–53
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics	II-10	54
Analysis of Undistributed Operating Expenses	II-11	55
Energy Costs Per Occupied Room Per Day	II-12	56
Method of Payment for Hotel Services	II-13	56
Credit Card Commission Annual Cost Per Occupied Room	II-14	56
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales	II-15	57
Balance Sheet Statistics-Liquidity Ratios	II-16	57
Statement of Income and Expenses Median Amounts Per Available Room	II-17	58
Ratio to Total Sales	II-18	59
Region II: Currency Conversion Tables		60

North America

General Profile of Typical Contributor	III-1	61
Highlights	III-2	61
Market Data	III-3	61
North America Lodging Industry Revenue and Expenses	Chart 6	62
Nationality of Guests	III-4	63
Comparison of Sales and Profitability	III-5	63
Occupancy, Double Occupancy, Room Rates	III-6	64
Composition of Sales	III-7	64
North America Occupancy Rates	Chart 7	64
Minor Operated Departments and Other Income	III-8	65
Food and Beverage Statistics	III-9	66–67
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics	III-10	68
Analysis of Undistributed Operating Expenses	III-11	69
Energy Costs Per Occupied Room Per Day	III-12	70
Method of Payment for Hotel Services	III-13	70
Credit Card Commission Annual Cost Per Occupied Room	III-14	70
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales	III-15	71
Balance Sheet Statistics-Liquidity Ratios	III-16	71
Statement of Income and Expenses Median Amounts Per Available Room	III-17	72
Ratio to Total Sales	III-18	73
Region III: Currency Conversion Tables		74

Europe

General Profile of Typical Contributor	IV-1	75
Highlights	IV-2	75
Market Data	IV-3	75
Europe Lodging Industry Revenue and Expenses	Chart 8	76
Nationality of Guests	IV-4	77
Comparison of Sales and Profitability	IV-5	77
Occupancy, Double Occupancy, Room Rates	IV-6	77
Composition of Sales	IV-7	78
Europe Occupancy Rates	Chart 9	78
Minor Operated Departments and Other Income	IV-8	79
Food and Beverage Statistics	IV-9	80–81
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics	IV-10	82
Analysis of Undistributed Operating Expenses	IV-11	83
Energy Costs Per Occupied Room Per Day	IV-12	84
Method of Payment for Hotel Services	IV-13	84
Credit Card Commission Annual Cost Per Occupied Room	IV-14	84
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales	IV-15	85
Balance Sheet Statistics-Liquidity Ratios	IV-16	85
Statement of Income and Expenses Median Amounts Per Available Room	IV-17	86
Ratio to Total Sales	IV-18	87
Region IV: Currency Conversion Tables		88

Latin America

General Profile of Typical Contributor	V-1	89
Highlights	V-2	89
Market Data	V-3	89
Latin America Lodging Industry Revenue and Expenses	Chart 10	90
Nationality of Guests	V-4	91
Comparison of Sales and Profitability	V-5	91
Occupancy, Double Occupancy, Room Rates	V-6	92
Latin America Occupancy Rates	Chart 11	92
Composition of Sales	V-7	93
Minor Operated Departments and Other Income	V-8	94
Food and Beverage Statistics	V-9	95–96
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics	V-10	97
Analysis of Undistributed Operating Expenses	V-11	98
Energy Costs Per Occupied Room Per Day	V-12	99
Method of Payment for Hotel Services	V-13	99
Credit Card Commission Annual Cost Per Occupied Room	V-14	99
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales	V-15	100
Balance Sheet Statistics-Liquidity Ratios	V-16	100
Statement of Income and Expenses Median Amounts Per Available Room	V-17	101
Ratio to Total Sales	V-18	102
Region V: Currency Conversion Tables		103

FOREWORD

by The Rt. Hon. The Lord Hirshfield
President and Chief Executive Officer
Horwath & Horwath International

The travel and tourism industry is generally recognized as one of the largest industries worldwide and, in fact, is expected to become the largest international industry by the year 2000. Despite the importance of the industry to world economies, the overall size, a key component, is not widely known. Based on data compiled by the World Tourism Organization, and the most recent survey of the lodging industry by Horwath & Horwath International which provides the basis for this publication, we have estimated that total lodging industry receipts worldwide exceeded US$90 billion in 1983. This represents an increase of 5 percent over 1982, stemming primarily from an increase in the supply of rooms from 8.6 to 8.8 million, and an increase of 4 percent in total sales per available room.

In addition, we estimate that the total number of full and part-time employees in the lodging industry worldwide was in excess of four million persons during 1983, making the industry one of the world's largest employers. Also, the industry provides employment for newcomers to the job market as well as semi-skilled employees who would otherwise have very little opportunity for employment.

Adding people to the work force is only one of the many positive aspects the tourism industry provides to a national economy. In most cases the cost of creating a job in tourism is relatively low. In the United Kingdom, for example, according to records of the English Tourist Board, the cost of creating a job in tourism is approximately £7,000 a year. This is substantially less than the cost of job creation in either the agriculture or manufacturing industries. In addition, when jobs are created in tourism they tend to be permanent. When this relatively low cost is compared with the fact that the real cost of keeping a person on unemployment in Britain is between £5,000 and £6,000 per year (and many people end up staying on unemployment for longer than one year), the benefits accruing to the British economy by adding jobs in tourism are obvious.

Another benefit of increased tourism is the multiplier effect it creates in the local economy. According to a recent report prepared by an HHI member firm and published by the World Tourism Organization entitled *Tourism Multipliers Explained*, that factor is particularly rapid and material in its effect. The report states that the introduction of additional tourist expenditures into a region will result in significant direct and induced secondary and tertiary benefits to the local economy. Therefore, the encouragement of investment in tourist facilities, and particularly hotels, is fundamental in third world countries. It is also fundamental to investment in many developed countries.

Besides the advantages already stated, governments can realize substantial income from their tourism industries. Jonathan Bodlender, Horwath & Horwath (U.K.) Ltd., London, recently gave a presentation to the joint plenary session of the International Hotel Association and the American Hotel and Motel Association at the United Nations General Assembly Hall addressing this topic. He emphasized that the precise nature of this income will vary depending on the fiscal and legal structure of each country, but that the income would normally include sales taxes, taxes on profits, payroll taxes, excise duties and property taxes. While this list is not comprehensive, it is evident that governments can obtain a very material income from the tourism industry, as well as receive an excellent return from any investment made in the industry.

A major catalyst of hotel development in recent years is the creation of the so-called "mega-attraction." Examples of these are the theme parks created by Walt Disney Productions: Walt Disney World and EPCOT Center in Orlando, Florida, Disneyland in Tokyo and the proposed Disneyland in Europe. These attractions generate tremendous amounts of tourists daily and are always followed by major additions to the available supply of rooms in nearby areas. This surge in the supply of hotel rooms not only increases the level of employment in these areas but also represents a boon to the local economy. In the last decade, Walt Disney World has transformed Orlando from a small town in Central Florida to one of the largest and most rapidly growing hotel markets in the United States.

It is not necessary to create a mega-attraction to achieve rapid growth in the supply of hotel rooms. Sustained economic growth in conjunction with political stability can create the infrastructure and atmosphere required to achieve this goal. Such has been the case in recent years in the Pacific Basin as this area has rapidly become a major part of the world business community. Developing areas of the world could use the examples set in these areas when considering their own expansion plans.

Even though most measurements of operating performance declined in 1983 from year earlier results, we are very optimistic about the short-term outlook for the lodging industry. As the worldwide economy shakes free from the shackles of recession, the lodging industry should begin to experience an increase in demand from both business and pleasure travelers. In some regions of the world increases in occupancy have been reported for the first quarter of 1984, providing strong evidence that the turnaround has begun. ■

AVANT-PROPOS

L'industrie du voyage et du tourisme est généralement reconnue comme l'une des plus importantes industries dans le monde, et en fait, elle est appelée à devenir la plus grande industrie internationale vers l'an 2000. Malgré l'importance majeure de ce secteur dans l'écon-

omie mondiale, sa dimension globale, indicateur fondamental, n'en est pas précisément connue. En nous appuyant sur les informations obtenues par l'Organisation Mondiale du Tourisme ainsi que sur les études les plus récentes de Horwath & Horwath International sur l'industrie hôtelière, sources de cette publication, nous avons estimé que le chiffre d'affaires mondial de l'industrie hôtelière excédait 90 milliards de dollars U.S. en 1983. Ce chiffre est en augmentation de 5% sur celui de 1982, et résulte principalement de l'accroissement de la capacité en chambres, passant de 8.6 à 8.8 millions, et d'une croissance de 4% des ventes totales par chambre disponible.

Par ailleurs, nous estimons à plus de quatre millions le nombre total de personnes employées à temps plein ou partiel dans l'hôtellerie mondiale, faisant de cette industrie l'une des plus grandes sources d'emplois au monde. De même, l'industrie hôtelière procure un emploi aux jeunes arrivant sur le marché du travail ainsi qu'aux personnes peu qualifiées, qui autrement, auraient trouvé peu d'occasions d'embauche.

La croissance du potentiel d'emplois ne représente qu'une des contributions positives de l'industrie touristique aux économies nationales. Dans la majorité des cas, le coût de création d'un emploi du secteur touristique est relativement faible. En Grande-Bretagne par exemple, selon l'English Tourist Board, le coût de création d'emploi dans le secteur touristique est évalué à 7,000 livres sterling par an, soit un niveau très sensiblement inférieur aux coûts de création d'emploi du secteur agricole ou industriel. De plus, les emplois créés dans le secteur touristique ont tendance à devenir permanents.

Lorsque ce coût, relativement faible, est comparé au coût réel pour l'Etat d'une personne sans emploi, qui est de 5,000 livres sterling à 6,000 livres sterling par an en Angleterre (beaucoup restant sans emploi au-delà d'une année), les bénéfices que retire l'économie britannique de l'augmentation des emplois deviennent évidents.

Un autre avantage dérivant de la croissance du tourisme, réside dans son effet multiplicateur sur l'économie locale.

Selon un rapport récent préparé par une des firmes de HHI et publié par l'Organisation Mondiale du Tourisme: "Tourism Multipliers Explained," les effets de ce facteur sont particulièrement rapides et tangibles. Selon ce rapport, l'accroissement des dépenses touristiques dans une région engendre dans l'économie locale, des bénéfices secondaires et tertiaires, directs ou induits.

De ce fait, encourager l'investissement dans les équipements touristiques et particulièrement dans les hôtels, est fondamental pour les pays en voie de développement. Il l'est également pour de nombreux pays industrialisés.

En plus des avantages précédemment mentionnés, l'industrie hôtelière constitue aussi une source de revenus substantiels pour les gouvernements. Jonathan Bodlender, Horwath & Horwath (U.K.) Ltd., Londres, a récemment évoqué ce sujet à la session plénière commune de l'Association Internationale de l'Hôtellerie et de l'American Hotel and Motel Association, au Hall de l'Assemblée Générale des Nations Unies, soulignant notamment que la nature précise de ces revenus peuvent varier en fonction de la structure légale et fiscale de chaque pays, mais comprennent en général les taxes sur le chiffre d'affaires, les impôts sur les bénéfices, les taxes sur les salaires, les taxes foncières, les droits et taxes indirectes... Cette liste n'étant pas limitative, il reste évident que les gouvernements peuvent tirer un revenu conséquent de leur industrie touristique, de même qu'une excellente rémunération des investissements effectués dans ce secteur.

Un catalyseur important du développement hôtelier de ces dernières années, réside aussi dans la création de parcs de loisirs géants ("Méga-attraction") du type de ceux conçus par Walt Disney Productions: Walt Disney World et EPCOT Center à Orlando, Floride, Disneyland à Tokyo et le projet de Disneyland en Europe. Ces centres drainent un nombre considérable de touristes et provoquent toujours une croissance de l'offre hôtelière dans les régions environnantes. Cet accroissement de l'offre est, non seulement une nouvelle source d'emplois, mais aussi une manne pour l'économie locale. Ainsi, au cours de la dernière décennie, Walt Disney World a transformé la petite ville d'Orlando, au centre de la Floride, en un des plus importants et des plus dynamiques marchés hôteliers des Etats-Unis.

Réussir une forte croissance de l'offre hôtelière, ne nécessite pas forcément la construction d'une "Méga-attraction." Une croissance économique soutenue ajoutée à une stabilité politique, suffisent à créer l'infrastructure et l'atmosphère appropriées. Cela a été le cas ces dernières années dans le bassin du Pacifique et cette région est devenue une composante majeure du monde économique international. Les régions en voie de développement pourraient s'inspirer de ces exemples lors de la conception de leurs plans de développement.

Malgré la baisse de la plupart des indicateurs en matière de résultats d'exploitation en 1983, comparés aux résultats antérieurs, nous restons optimistes quant aux perspectives à court terme de l'industrie hôtelière. Au moment où l'économie mondiale se libère des entraves de la récession, l'industrie hôtelière devrait bénéficier d'une croissance de la demande d'affaires et de loisirs. Certaines régions du monde ont enregistré une augmentation de leur taux d'occupation au cours du premier trimestre de 1984, illustrant par là même, la tendance à la reprise. ■

VORWORT

Das Reise- und Touristikgewerbe wird allgemein als eines der weltweit größten Gewerbezweige angesehen, und tatsächlich erwartet man, daß es bis zum Jahre 2000 das größte internationale Gewerbe sein wird. Trotz der Bedeutung dieses Gewerbes für die Weltwirtschaft ist die Kenntnis des gesamten Ausmaßes nicht weit verbreitet. Auf der Grundlage von Daten, die von der Welt-Tourismus-Organisation zusammengestellt wurden und aufgrund der neuesten Untersuchung über das Hotelgewerbe von Horwath & Horwath International, die dieser Veröffentlichung zugrunde liegt, belief sich der Umsatz des Hotelgewerbes in 1983 weltweit auf schätzungsweise über 90 Mrd. US-$. Gegenüber 1982 bedeutet dies einen Anstieg um 5%, der hauptsächlich auf ein von 8,6 auf 8,8 Millionen gestiegenes Zimmerangebot und auf eine Erhöhung des Gesamtumsatzes pro verfügbarem Zimmer um 4% zurückzuführen ist.

Ferner schätzen wir, daß die Gesamtzahl der Voll- und Teilzeitbeschäftigten im Hotelgewerbe 1983 weltweit über 4 Millionen betragen hat, so daß diese Branche zu einem der größten Arbeitgeber in der Welt zählt. Außerdem bietet dieses Gewerbe Beschäftigung sowohl für Berufsanfänger als auch für angelernte Kräfte, die anderweitig nur sehr geringe Arbeitsplatzchancen haben würden.

Die Anzahl der Arbeitsplätze ist nur einer der vielen positiven Aspekte des Tourismus für die Wirstchaft eines Landes. In vielen Fällen sind die Kosten für die Schaffung eines Arbeitsplatzes im Fremdenverkehrsgewerbe relativ niedrig. Gemäß den Unterlagen des englischen Fremdenverkehrsverbandes betragen die Kosten für die Schaffung eines Arbeitsplatzes im Fremdenverkehrsgewerbe etwa 7.000 Pfund im Jahr. Dies ist erheblich weniger als die Kosten für die Schaffung eines Arbeitsplatzes in der Landwirtschaft oder in der Industrie. Hinzu kommt, daß im Fremdenverkehrsgewerbe geschaffene Arbeitsplätze dahin tendieren, dauerhaft zu sein. Bei einem Vergleich dieser relativ niedrigen Kosten mit der Tatsache, daß die Kosten für die Aufrechterhaltung eines Beschäftigungsverhältnisses in England zwischen 5.000 und 6.000 Pfund im Jahr betragen (wobei viele Leute länger als ein Jahr ohne beschäftigung bleiben), sind die Vorteile zusätzlicher Arbeitsplätze im Fremdenverkehr für die englische Wirtschaft offensichtlich.

Ein anderer Vorteil aus dem gestiegenen Fremdenverkehr ist dessen Multiplikatoreffekt auf die örtliche Wirtschaft. Gemäß einer kürzlich erschienenen Untersuchung, die von einer HHI-Mitgliedsfirma erstellt und von der Welt-Tourismus-Organisation unter dem Titel *"Tourism Multipliers Explained"* veröffentlicht wurde, ist dieser Faktor besonders schnell und wesentlich in seinen Auswirkungen. Der Bericht stellt fest, daß zusätzliche Ausgaben von Touristen in einer Region zu einem bedeutenden direkten und indirekten Nutzen für die örtliche Wirtschaft führen. Die Förderung von Investitionen in Fremdenverkehrseinrichtungen und besonders in Hotels ist deshalb für die Länder der Dritten Welt von grundlegender Bedeutung. Dies gilt auch für Investitionen in vielen entwickelten Ländern.

Neben den schon genannten Vorteilen können die Regierungen aus ihrem Fremdenverkehrsgewerbe wesentliche Einnahmen erzielen. Jonathan Bodlender, Horwath & Horwath (U.K.) Ltd., London, sprach dieses Thema kürzlich in seinem Vortrag vor der gemeinsamen Vollversammlung der "International Hotel Association" und der "American Hotel and Motel Association" im Saal der Vereinten Nationen an. Er betonte, daß die genaue Quelle dieser Einnahmen je nach der steuerlichen und rechtlichen Situation in den einzelnen Ländern unterschiedlich ist, daß aber die Einnahmen gewöhnlich Umsatzsteuern, Ertragsteuern, Lohnsteuer, Verbrauchsteuern und Vermögensteuern umfassen. Wenn auch diese Aufzählung nicht vollständig ist, so ist es offensichtlich, daß Regierungen ein sehr wesentliches Einkommen aus dem Fremdenverkehrsgewerbe erzielen können und auch einen hervorragenden Rückfluß des in diesem Gewerbe investierten Kapitals erhalten.

Einen wichtigen Faktor für Hotelentwicklungen stellt in den letzten Jahren die Schaffung von sogenannten Großattraktionen dar. Beispiele hierfür sind die von Walt Disney Productions geschaffenen Vergnügungsparks: Walt Disney World und EPCOT Center in Orlando, Florida, Disneyland in Tokio und das geplante Disneyland in Europa. Diese Attraktionen ziehen täglich eine große Zahl Touristen an mit der Folge einer erheblichen Erweiterung des verfügbaren Zimmerangebotes in der nahen Umgebung. Dieser Anstieg im Angebot von Hotelzimmern läßt nicht nur das Beschäftigungsniveau in diesen Gebieten ansteigen, sondern er führt auch zu einem Aufschwung für die örtliche Wirtschaft. Im letzten Jahrzehnt verwandelte Walt Disney World Orlando von einer Kleinstadt im Herzen von Florida zu einem der größten und am schnellsten wachsenden Hotelmärkte der Vereinigten Staaten.

Es ist nicht erforderlich, eine Großattraktion zu schaffen, um einen schnellen Anstieg des Angebotes von Hotelzimmern zu erreichen. Anhaltendes wirtschaftliches Wachstum verbunden mit politischer Stabilität kann die erforderliche Infrastruktur und das Klima schaffen, um dieses Ziel zu erreichen. Dies war in den letzen Jahren im pazifischen Becken der Fall, als diese Region schnell an Bedeutung für die internationale Geschäftswelt gewann. Die sich entwickelnden Regionen können bei ihren eigenen Entwicklungsplänen die in diesen Gebieten gegebenen Beispiele berücksichtigen.

Wenn auch die meisten Kennzahlen der Betriebsergebnisse in 1983 gegenüber früheren Ergebnissen zurückgegangen sind, so sind wir bezüglich der kurzfristigen Aussichten des Beherbergungsgewerbes sehr optimistisch.

Wie sich die Weltwirtschaft von den Fesseln der Rezession befreit, sollte das Beherbergungsgewerbe am Anfang einer Nachfragesteigerung sowohl durch Geschäftsreisende als auch durch Touristen stehen. Aus einigen Gebieten der Welt wurde von einem Anstieg der Belegung im ersten Quartal 1984 berichtet, was ein starkes Anzeichen dafür ist, daß die Wende begonnen hat. ■

INTRODUCCIÓN

La industria de viajes y turismo es reconocida generalmente como una de las mas grandes industrias del mundo y se espera que la misma se convierta en la mas grande industria internacional para el año 2000. A pesar de la importancia de esta industria en la economia mundial, su tamaño, un factor importantísimo, es desconocido. Basados en datos recopilados por la Organización Mundial del Turismo, y mas recientemente a traves del estudio anual de la industria hotelera preparado por Horwath and Horwath Internacional, el cual es base de esta publicación, hemos estimado que los ingresos totales de la industria turistica en el mundo exceden los US$90,000 millones en 1983. Esto representa un aumento de un cinco por ciento sobre 1982 y es el resultado directo de un aumento en la oferta habitacional de 8.6 a 8.8 millones de habitaciones y de un aumento de un 4% en la venta total por habitación disponible.

En adición estimamos que el total de empleados que trabajan a tiempo completo o a contrata en la industria hotelera mundial exedió los cuatro millones de personas durante 1983, haciendo de esta industria una de las mas grandes empleadoras en el mundo. La industria provée tambien empleo para aquellas personas

que entran a competir en el mercado del trabajo así tambien como aquellos trabajadores de escaso conocimiento los cuales de otra forma tendrían muy poca oportunidad para obtener empleo.

El incrementar el numero de personas a la fuerza laboral es solamente uno de los aspectos positivos que la industria hotelera provée a la economía nacional. En muchos casos el costo de la creación de un trabajo en el area de turismo es relativamente bajo. En el Reino Unido, por ejemplo, y de acuerdo a los datos de la Junta Británica de Turismo el costo de la creación de un trabajo en el area de turismo es de aproximadamente £7,000 por año. Esto es bastante menos que el costo de la creación de trabajos en el sector agricola o manufacturero. Además cuando los trabajos se crean en el area de turismo los mismos tienen tendencia de ser permanentes. Cuando este costo tan bajo es comparado con el hecho de que el costo real de mantener una persona desempleada en Inglaterra fluctúa entre las £5,000 y £6,000 por año (y muchas personas terminan permaneciendo en las filas del desempleo por mas de un año) los beneficios que se acumulan para la economía Británica por la adición de estos trabajos en el area de turismo son obvios.

Otro beneficio del aumento en el turismo es el efecto multiplicador en la economía mundial. De acuerdo con un informe reciente, preparado por una firma miembro de HHI y publicado por la Organización Mundial del Turismo, el cual se titula *Tourism Multipliers Explained* este factor es particularmente rápido y de resultado material en su efecto. El informe indica que la introducción de gastos adicionales en el sector turismo de una región resultará en un beneficio directo e inducirá beneficios secundarios y terciarios a la economía local. Por lo tanto, el alentar las inversiones de facilidades turísticas y particularmente hoteles es fundamental en los países tercer mundistas, y tambien es fundamental para el desarrollo de inversiones en muchos de los países desarrollados.

Además de las ventajas anteriormente expuestas, los gobiernos pueden alcanzar ingresos substanciales de sus industrias turísticas. Jonathan Bodlender, de Horwath and Horwath (U.K.) Ltd. London, hizo recientemente una presentación sobre este tópico a una sesión plenaria de la Asociación Internacional de Hoteles y la Asociación Americana de Hoteles y Moteles en el salon de la asamblea general de las Naciones Unidas. El mismo enfatizó que la naturaleza precisa de este tipo de ingreso variará dependiendo de la estructura fiscal y legal de cada país pero que los ingresos normalmente incluirían impuestos sobre la venta, impuestos sobre utilidades, impuestos sobre sueldos, e impuestos sobre articulos de lujo y propiedades. Aunque esta lista no es del todo completa es evidente que los gobiernos pueden obtener unos ingresos muy materiales de la industria turística al mismo tiempo que reciben un retorno muy sustancial a la inversión hecha en esta industria.

Uno de los mayores catalistas en los desarrollos turísticos en los años recientes es la creación de lo que se ha llamado "mega atracciones." Un ejemplo de este tipo de atracciones son aquellas creadas por Walt Disney Productions . . . Walt Disney World y EPCOT Center en Orlando, Florida, Disneyland en Tokyo y el propuesto Disneyland en Europa. Este tipo de parques generan grandes cantidades de turistas al dia y los mismos siempre provocan una gran adición de habitaciones a la oferta de habitaciones existentes en las areas cercanas. Este aumento en la oferta habitacional no solamente ocasiona un aumento en el nivel de empleo en estas areas, sino que tambien representa una bonanza para la economía local. En la última decada Walt Disney World a transformado a Orlando de una pequeña ciudad en la parte central del estado de la Florida a uno de los mas grandes mercados potenciales y de mas rapido crecimiento en hotelería en Estados Unidos.

No es necesario el crear una mega atracción para alcanzar un rápido crecimiento en la oferta habitacional. Un crecimiento sostenido en el area económica en conjunto con estabilidad política puede crear una infraestructura y una atmósfera suficiente para alcanzar este nivél. Tal ha sido el caso en años reciente en la Cuenca del Pacifico y esta area se ha vuelto rápidamente una de las principales comunidades de negocios del mundo. Las zonas en desarrollo del mundo podían utilizar estas areas como ejemplo en la consideración y planificación de sus propios planes de expansión.

A pesar de que todos los indicadores pronostican un declive durante el año de 1983 comparado con años anteriores, nos encontramos optimistas sobre el futuro cercano para la industria turística. Mientras que la economía mundial se libra de las garras de la recesión, la industria turística comenzará a experimentar un aumento en la demanda proveniente del sector de viajeros de negocios y de placer. En algunas regiones se han reportado aumentos en la ocupacion para el primer trimestre de 1984 proveyendo una fuerte evidencia de que ha empezado a ocurrir un cambio significativo. ■

COMMENTS FROM AROUND THE WORLD

AFRICA AND THE MIDDLE EAST

General Comments

The risks of political instability in the region have been recently emphasized. In Nigeria, the civilian government was overthrown by the army. Nigeria was already suffering from a severe economic recession, and as a result of the recent developments, realization of the new capital city of Abuja looks unlikely in the relatively near future. Several international-standard hotels are under construction there.

Tunisia's tourism industry was adversely affected by civil unrest last year. Although short-lived, this is likely to have a negative impact on tourism this year.

Despite the continuing civil war in Angola and hostilities with South Africa over Namibia, the Angolan government is trying to create a supply of international-standard hotel accommodation. In Luanda, a 200-room hotel has been completely refurbished, and there are plans to refurbish other existing hotels. A new hotel also has been proposed.

There have been developments elsewhere in the region. In Cameroon, an Ibis Hotel is under construction in Douala. In Egypt, as predicted, a significant increase in Cairo's hotel supply has resulted in hotels in peripheral locations experiencing a significant decline in business; centrally located hotels have continued to have satisfactory occupancy rates. The most recent hotel to open is the 1,200-room Marriott Hotel. In Gambia, Novotel opened the country's first resort hotel to be managed by an international chain.

Martin Gerty
Horwath & Horwath (U.K.) Ltd.
London

From Angola

During 1983, there was significant expansion of the hotel industry in the Republica Popular de Angola. An important event was the recent opening of the Hotel Presidente.

Angola's tourism and hotel management is working to bring the country's hotel industry up to international standards. Throughout the country, 11 new international-standard hotels are expected to open in 1984. Feasibility studies are also being conducted for the construction of another large hotel in the capital city of Luanda.

Salvador F. Conti
Jorge Duarte
Soteconti Auditores Independentes S/C
Sao Paulo

From Cameroon

Cameroon continues to take a cautious approach to economic development, despite a significant contribution resulting from the development of its oil reserves. The government hopes to increase the pace of industrialization, which would increase the demand for hotel accommodation, particularly in Douala and the capital city of Yaounde.

Interest in new hotel development is still concentrated in Yaounde and Douala, where an Ibis Hotel is under construction and several other projects have been proposed.

Martin Gerty
Horwath & Horwath (U.K.) Ltd.
London

From Cyprus

The number of tourists arriving in Cyprus continued to increase, albeit at a reduced rate during 1983. Arrivals totaled 620,700, an increase of 13.2 percent over 1982. The continuing instability in Lebanon had a significant impact on these numbers with arrivals from Lebanon accounting for 12.7 percent of the total compared with 9.6 percent in 1982. Even excluding the Lebanese factor, however, the increase in arrivals was almost 10 percent, which is consistent with the targeted average annual growth rate for tourist arrivals established in the 1982 to 1986 national economic plan.

There was significant growth from the traditional United Kingdom market and, despite early indications to the contrary, the number of arrivals from Sweden continued to account for a substantial part of total arrivals. Large increases were also recorded from the Netherlands (an increase of almost 73 percent compared with 1982) and from Norway, the Gulf States and Egypt. During the first three months of 1984, tourist arrivals increased by a substantial 28 percent, again largely due to an influx of visitors from Lebanon.

The problems created by the rapid rate of growth in bed capacity continued in 1983 with total available beds (excluding unlicensed accommodations) rising to 23,000, an increase of 17.4 percent over 1982. The government has introduced a series of measures, including general credit restrictions, to control the increase in new hotel construction as well as to direct new investments to the relatively undeveloped projects that would increase the quality of the product offered in Cyprus.

The new Paphos International Airport opened in November 1983, but did not become fully operational until March 1984. Therefore, its impact on the western part of the island has not yet been felt. The government has invited international bids for the preparation of a master tourist development plan for the whole western part of the island, and it is hoped that the study will be completed in 1984.

Andreas Michaelides
Chrysanthou, Christoforou, Michaelides
Nicosia

From Egypt

The number of nights spent by tourists in Egypt has been declining since 1981, but this must be viewed in the context of both severe worldwide recession and the Arab boycott, which now appears to be relaxing. There is considerable potential for the expansion of existing tourist markets and the development of new markets. These, together with the gradual return of the previously displaced business demand, will go a long way toward compensating for the increased supply in hotel accommodations.

During most of the 1970s, Cairo was viewed as being undersupplied with suitable standard hotel accommodation. At that time, demand was displaced into hotels of a lower standard, and all hotels of an international standard experienced capacity or close to capacity occupancy regardless of location. The increase in the supply of standard accommodation during the last 10 years has given visitors a greater choice, especially in terms of preferred location. As a result, more distinct market segmentation is evolving with three general locations being recognized: the airport and Heliopolis; Giza, site of the Sphinx and pyramids; and Cairo's city center. There is now much greater competition among hotels within each general location and markedly less competition among hotels in different locations.

As a result of the increased supply and greater competition, all hotels are more active and aggressive in marketing. Discounts or incentives are offered to group tourists and corporate business. Since the available supply increased, it has also become apparent that demand is seasonal.

Alexandria, the traditional domestic resort, is now the focus of development attention for several international hotel operators. Luxor, which has long been considered in need of increased modern bedroom capacity, also is present in the plans of most development groups now represented in Egypt. The increase in the number of Nile cruise boats between Cairo and Luxor has taken much pressure away from the city of Alexandria.

Overall, the current economics of hotel operation in Egypt are leading to very high profits, resulting from both high occupancies and an unusually high percentage of profit by international-standard hotels. Operating costs and especially labor costs, however, are rising rapidly, and the current disproportionately high profit levels probably will not be maintained.

Youssef Nabih
Youssef Nabih & Co.
Cairo

Geoff Parkinson
Horwath & Horwath (U.K.) Ltd.
London

From Gambia

Hotels enjoyed high occupancy levels during the 1983 to 1984 winter season, particularly during the initial months, and some major tour operators are extending their operations into the summer months. Gambia, however, is facing increased competition in prices from other destinations in Africa, particularly during the summer months.

Although the majority of hotel bookings are made by tour operators at prices agreed upon in foreign currency, some hotels have been adversely affected by the 25 percent currency devaluation in February 1984.

The supply of international-standard hotel accommodation has been increased by the opening of the 250-room Kombo Beach Novotel in late 1983.

Martin Gerty
Horwath & Horwath (U.K.) Ltd.
London

From Israel

In 1983, tourism picked up somewhat from the poor results of 1982, when it suffered—especially in the summer and later months—from the war in Lebanon and the shutdown of El Al, the nation's airline.

The number of visitors in 1983 increased 8 percent compared with 1982, although this number was still below the record figures for the years 1979 to 1981. In particular, there was a rise in the number of tourists coming from North America, while the number of tourists from Europe remained stable. This is in contrast to previous years, in which a growing percentage of tourists had come from Europe, while the percentage from America had declined steadily.

Average room occupancy during 1983 is estimated at 55 percent compared with 50.7 percent in 1982. This, too, still fell short of the 57.3 percent results recorded in 1980 and 1981.

Inflation is rampant in Israel and took an upward turn toward the end of 1983; today it ranges from 12 to 15 percent per month. Naturally, this factor is a consideration of investors or potential investors in hotel development. At the moment, the number of new hotel rooms being built is extremely small. The annual growth in the number of hotel rooms in 1983 was about 5 percent and relates to buildings started some years ago and opened in 1983.

The outlook for 1984 is that the number of visitors, especially those coming from North America, will continue to increase slightly.

Dan Bavly
Horwath, Bavly, Millner & Co.
Tel Aviv

From Lebanon

In June 1983, just prior to the most recent phase of hostilities in Lebanon, Horwath & Horwath (U.K.) Ltd. carried out a study in Beirut on the proposed redevelopment of a former apartment block as a deluxe category hotel. At that time, the hotel industry in Beirut included 41 hotels providing about 2,750 rooms. Eleven of these hotels (1,150 rooms) were in the upper four-star A and B categories.

Damage to Beirut hotels between 1975 and 1982 represented a loss in capacity of 77 percent in the four-star category (13 hotels), and of 44 percent, 34 percent and 96 percent respectively in the three-, two- and one-star categories. Of the four-star hotels, only three were expected to reopen, and only when conditions are considered appropriate. These three are the Phoenicia Intercontinental (548 rooms), the famous St. Georges Hotel (104 rooms) and the Beau Rivage Hotel (94 rooms). The 418-room Hilton Hotel had been scheduled to open in December 1976, construction already had been completed, and a substantial portion of the fixtures and equipment had been installed. After it suffered some damage, however, the hotel was abandoned. We were informed that the intention is to rehabilitate and open the hotel but, again, only when conditions are considered appropriate.

Prior to the current era of conflict, Lebanon was a leading tourism destination offering a wide variety of tourist attractions. The onset of hostilities in 1975 brought about a rapid and drastic decline in tourist arrivals, with a drop of 81 percent between 1974 and 1977.

On a more optimistic note, responses from operators contacted during our research in 1983 indicate that despite the continuing problems, there could be some potential for promoting tourism in Lebanon when conditions improve, principally as a part of a multidestination tour of the Middle East. However, due to the

withdrawal of various components of the multinational peace-keeping forces, a prospective date for settlement is currently indeterminable. Therefore, any prospects for marketing Lebanon as a tourist destination are long term.

Howard Williams
Horwath & Horwath (U.K.) Ltd.
London

From South Africa

Background: Hotel operators are experiencing reduced profitability due to a difficult economic climate that is characterized by continuing inflation, a nationwide recession that is somewhat deeper and more prolonged than previously anticipated, a severe drought and a generally lower gold price.

Average room occupancy for 1983 was 60 percent, about 9 percent lower than the previous 12-month period.

Developments: Economic conditions have not completely halted hotel development in South Africa. There is much evidence of developers' continuing confidence in the country as a holiday and tourist destination of exceptional potential. Hotel development, redevelopment and refurbishing scheduled for the next five years is estimated at US$800 million.

Significant developments include a major restructuring of the hotel and casino industries in September 1983. This had led to the formation of Sun International Holdings Limited, which now controls the combined South African casino resorts formerly owned by Holiday Inns and the Southern Sun Group. In addition, the Southern Sun Group opened two five-star hotels, one in Cape Town and the other in Johannesburg, together costing approximately US$80 million.

Construction of an 800-room hotel has begun in central Johannesburg at a budgeted cost of approximately US$88 million. It is scheduled to open in 1986. Also, the Holiday Inns' flagship developments in Durban and Pretoria will add 600 rooms and cost approximately US$60 million. Another 200-room hotel, expecting to cost US$20 million, is under construction at Sun City, Africa's premier hotel/casino resort.

Johannesburg is also the site for many other new developments. A five-star 280-room hotel costing approximately US$60 million is now being constructed in the Johannesburg residential suburb and business district of Rosebank. This hotel is to be operated by an independent international group. A new exhibition center with conference facilities is being built south of Johannesburg at a cost of approximately US$40 million. An apartment block in Braamfontein, adjacent to Johannesburg's central business district, is being converted into a four-star 300-suite hotel at a cost of US$20 million.

Also, numerous smaller developments in the three-star and lower categories are underway in outlying districts throughout the country.

Time Sharing: Time sharing continues to increase in popularity, and a worldwide time-swap organization has identified South Africa as one of the fastest growing markets, having a value of approximately US$200 million.

Most time-sharing resorts in South Africa are located on prime spots along the Natal coast. Recently, however, more projects have been launched successfully in the Cape and the Transvaal. A major factor behind the success of the time-sharing industry in South Africa has been the backing it has received from major financial institutions that have entered the industry in its infancy. This has led to greater credibility and consumer confidence.

Tourism: The formation of the South African Tourism Board represents an important milestone in the development of the local industry. This board combines the expertise and resources of various sectors of the tourist industry as well as involving the private sector and providing the blueprint for tourist development through a comprehensive tourism policy. It has the potential to generate the industry's growth from the international market and negotiate the possibility of a cheaper alternative to the national airlines already serving the South African route.

Prospects: The recent signing of the nonagression accord between South Africa and neighboring Mozambique should enhance the region's political stability and encourage tourism. If potential investors are satisfied with the political and economic stability of southern Africa, the region can expect a considerable increase in tourism and overseas investment.

Because the rand is weak compared with the dollar, South Africa is an increasingly cheap destination for Americans. However, depreciation compared with other currencies has been less significant. This and high inflation makes South Africa relatively expensive for other foreign tourists at the current time.

Leon Kaplan
Kessel Feinstein Horwath (Pty.) Ltd.
Johannesburg

From Swaziland

According to estimates from the Swaziland Hotel and Tourism Association, total visitors had declined from approximately 280,000 in 1979 to 235,000 in 1981. An increase occurred in 1982 with a further reduction to about 230,000 in 1983.

Interest in tourism, predominantly from South Africa, had declined between 1979 and 1981 principally as a result of a requirement that all cross-border visitors have cholera inoculations and the competition from Sun City in Bophuthatswana and other similar new resorts, which offered many of the attractions available in Swaziland at that time.

Hotel capacity increased 16 percent during the period 1976 to 1981. By 1981, 57 percent of the total stock of 1,050 hotel rooms were in Ezulwini Valley, site of many of the major tourist attractions.

There are now positive indicators that the decline in tourism has slowed, and there is a consistent hotel demand related to growing business activity in Swaziland. It is generally considered that future growth in leisure-related markets will depend on a more concerted effort by government and other parties directly or indirectly involved in tourism.

Major hotel projects currently in the planning stages include a 100-room casino hotel in the northern Piggs Peak area of the country; a 200-to-250-room deluxe hotel in the capital city of Mbabane and a project in the second largest town, Manzini. Manzini was recently the subject of a feasibility study jointly conducted by Horwath & Horwath (U.K) Ltd., London, and Kessel Feinstein, Johannesburg.

Howard Williams
Horwath & Horwath (U.K.) Ltd.
London

Leon Kaplan
Kessel Feinstein Horwath (Pty.) Ltd.
Johannesburg

From Turkey

Foreign visitor arrivals to Turkey increased 17 percent to 1.6 million in 1983. The increase was attributable to visits from residents of OECD (Organization for Economic Cooperation and Development) countries.

There is continued interest in hotel development in Turkey, particularly in Istanbul, Ankara and in tourist development areas on the Mediterranean coast. There is an increasing tendency for promoters to seek financing from foreign sources; however, progress on new projects is slow.

Since the general election in November 1983 and the new government's economic policies to create a healthier, open economy, there is increasing international confidence in the country. Hopefully, the government's policy to reduce bureaucratic red tape in all sectors will also benefit the tourism industry.

During 1983 legislation allowing casinos in Turkey's hotels was introduced, and the first full casino is now operational in the Hilton International in Istanbul.

Martin Gerty
Horwath & Horwath (U.K.) Ltd.
London

ASIA AND THE PACIFIC REGION

General Comments

Although there were losses in long-haul arrivals and occupancies during 1982 and 1983, the region should show significant signs of growth as the world's economies continue to improve and travel restrictions are lifted. Rates should remain steady and, in the areas where overbuilding has occurred, may actually decline due to discounting practices.

Interest in the region by many international hotel chains will continue to create growth as a result of marketing efforts. Many areas of the region also are looking into development of convention, meeting, seminar and regional incentive business for off-season growth.

Tourism is rapidly gaining new significance for governments of the area. In Hong Kong, it brings in the third largest amount of dollars with revenue of US$1.4 billion in 1983. While only seventh in 1983, tourism in Malaysia is projected to be the nation's fourth most important industry by 1985. In the Philippines, tourism has declined due to domestic troubles, having reached its high point in 1980 when more than one million people visited the nation. In Thailand, tourism became the most important source of revenue in 1982, with earnings of US$1 billion.

For all developing countries, tourism offers many benefits. Besides being labor-intensive, it stimulates many other parts of the local economy as well.

Clarence Peters
Laventhol & Horwath
San Francisco

From Australia

New South Wales: Overall room occupancy rates in New South Wales dropped again in 1983, especially during the first and second quarters when it was down 10 and 9 percent respectively compared with the same periods in 1982. This overall reduction was tempered, however, by a slight increase in the final quarter with each month from August to December showing increases compared with the same months in 1982.

The Sydney market was affected even more dramatically with reductions of 19 and 15 percent in the first and second quarters, respectively. The volatility of the city's market became apparent from final-quarter occupancy rates, which showed a 10 percent increase from the same period in 1982. This increase allowed the year to close with the final quarter at 65 percent (compared with 70 percent in 1982) for an overall 7.7 percent reduction for the year.

The city's supply of first-class rooms increased by 297, or 12 percent, during the year. The majority of operators were unable to raise room rates substantially during the year, and some significant discounting was evident. With 1983's inflation rate of 8 percent, the average daily rate only increased 5 percent.

During 1983 international short-term visitor arrivals into Australia followed a similar pattern to occupancy rates; they were down 1 percent from 1982. Decreases in arrivals occurred in the first two quarters; however, during the last two quarters of the year there was an increase of 1 and 4 percent respectively compared with the same quarters in 1982.

Sydney's hoteliers are looking to 1984 with cautious optimism based on the apparent positive performances in the last two quarters of 1983, the continuing economic recovery (only 390 new first-class rooms planned for 1984) positive response to recent Australian Tourist Commission advertising in North America and a renewed general interest in Australia worldwide.

Anthony K. South
Horwath & Horwath
Sydney

Northern Territory: Occupancy rates in the Territory remained relatively stationary between 1982 and 1983; however, this is a positive factor considering that room inventory increased 7.6 percent.

During the period September 1982 to September 1983, room nights sold increased 9 percent. The room rate increases were minimal in those hotels that raised rates.

The first stages of the Yulara Tourist Resort at Ayers Rock opened late in 1983, and this $150 million, 5,000 people-per-day resort will be fully operational by the end of 1984.

The room supply in the Territory will be expanded considerably in the next few years with Sheraton properties totaling 850 rooms to be opened in Alice Springs, Darwin and the Yulara Tourist Resort. In addition, the 250-room Beaufort Hotel in Darwin will open in late 1985. The government also recently announced further developments amounting to 900 rooms in Darwin and 300 in Alice Springs. Tourism and associated activity is expected to become an increasingly important factor in the territory's economy.

Anthony K. South
Horwath & Horwath
Sydney

Robert Harding-Anders
Horwath & Horwath
Alice Springs

Queensland: The lodging industry in Queensland continued to decline during the first three quarters of the 1983 calen-

dar year. Occupancy rates began to improve toward year-end, with a final quarter figure of 52 percent compared with 50 percent for the same quarter in 1982. Brisbane, the Barrier Reef Resort and the Gold Coast showed similar trends, with the Gold Coast registering a strong 15 percent increase in occupancies during the final quarter. In common with other Australian markets, room rates showed negligible growth during the year. The 1984 outlook is one of optimism with the first real growth in a number of years expected.

Patrick P. Finnimore
Horwath & Horwath
Brisbane

South Australia: Room occupancies in South Australia were substantially lower in 1983 than in the previous year due to a number of factors including the disastrous bush fires early in the year, a continuing weak economy and the opening of the new 400-room Hilton International Hotel in November 1982. The Hilton represented a 12.5 percent increase in total available rooms in Adelaide at a time when operators were already facing falling occupancies.

Average room rates generally remained fairly constant with most operators holding rates at 1982 levels. The food and beverage business also suffered from the economic downturn.

Projections for 1984 are much better with an expectation of higher occupancies and higher average room rates. Most operators have increased or expect to increase rates during 1984.

A 100-room property aimed at the middle executive level is scheduled to open shortly and is expected to put some pressure on operators in this market. A major redevelopment of the Adelaide Railway Station (which will incorporate the state's first casino and a five-star, 400-room hotel) has been announced. The hotel will be operated by the Hyatt International chain, which intends to open the hotel in time for the 1986 celebrations commemorating the state's 150th anniversary. The casino could be operational by the end of 1984, but the name of its operator has not yet been announced.

Graham Lunn
Horwath & Horwath
Adelaide

Tasmania: Occupancy rates during 1983 remained much the same as those for 1982 until the last quarter when it rose to 49 percent, a 4 percent increase compared with the same quarter in 1982. This increase was more pronounced in Hobart, with occupancy in the final quarter at 54 percent. Room rates remained stagnant during the year, with any increases being minimal.

The state government is giving final consideration to submission by developers and operators of a new property in Hobart. This project is expected to be in the 250-350 room range.

Operators are expecting a modest recovery in 1984, with increases in both occupancy and room rates projected.

C. J. Rooke
Horwath & Horwath
Hobart

Victoria: The overall accommodation market in Victoria has remained depressed with further declines in occupancy during the first two quarters of 1983. A slight improvement occurred in the latter half of the year with the occupancy rate during the last quarter at 53 percent, identical to that of the same quarter in 1982.

Melbourne's inner city has improved slightly with the last quarter at 67 percent, compared with 65 percent last year. Those with newer or recently refurbished properties apparently perform at about-average levels.

Room rates have held steady during the year although operators are expecting increases early in 1984.

One project under development is the Rialto complex (200 or more rooms), which is due to open in late 1984. Also, construction has begun on the 425-room Hyatt-on-Collins (opening December 1985), and the state government is seeking developers for a 400-room hotel and a 2,500-delegate convention center at the World Trade Centre.

Ted Horner
Kimberley Kohan
Horwath & Horwath
Melbourne

Western Australia: Western Australia has been affected by the worldwide recession; however, the economy has shown overall signs of resilience, and in particular, the tourism industry has demonstrated growth potential in difficult times.

This is demonstrated by the fact that while overall room occupancy in Western Australia dropped 2 percent (from 46 percent in 1982 to 45 percent in 1983), occupancy in Perth, which is predominantly business oriented, dropped approximately 7.5 percent (from 67 percent in 1982 to 62 percent in 1983). This suggests that although the number of business travelers has declined, tourist visits are stable.

Recent international trends have indicated that the recession is lifting, and the newly formed West Australian Tourism Commission looks forward to a period of accelerated growth in travel both to and within Western Australia.

An additional 1,256 rooms are currently under construction in Perth; all will be completed in 1984, increasing the number of rooms in this city by 62 percent. Although a significant growth in occupancy rates will be required to justify this new capacity, Perth now has the opportunity to market itself as a viable convention center.

The winning of the America's Cup and the future defense of it in 1987 has given a significant lift to Perth's tourism prospects.

Bob Nunan
Horwath & Horwath
Perth

From Hawaii

Although small in size, Honolulu has almost 80 percent of the state's population. Tourism is by far the largest industry in Honolulu, as well as in the state. A variety of factors has influenced the industry in Hawaii, including the reduction in the rate of growth of mainland travelers as a result of 1983 record-high airfares; an increase in eastbound travelers, particularly the Japanese, as a result of the sharp rise in the value of the yen; and a recent trend toward overnight stays at outer islands rather than in Honolulu.

In terms of future demand, the trend should be a steadily growing interest by travelers to visit the outer islands, especially Maui. The growth of tourism for the islands as a whole should more than compensate for Waikiki's potential loss of room nights. Continued growth in both U.S. personal income levels and the value of the Japanese yen should counter the impact of future airfare increases on tourism in Hawaii.

Clarence Peters
Laventhol & Horwath
San Francisco

From Hong Kong

The Hong Kong Tourist Association reported that visitor arrivals from North America to Hong Kong were up by almost 20 percent in 1983. Overall visitor arrivals increased 6.4 percent. Hotel occupancies were up 1 percent over 1982, averaging 83 percent. Tourist industry revenue in 1983 was 26 percent higher than in 1982.

In an effort to balance Hong Kong's budget, the government passed a hotel tax increase from 4 percent to 5 percent. A proposed increase in the territory's airport departure tax, from US$3 to US$15, also may be approved.

Three hotels opened in Hong Kong in 1983: the 70-room Warwick Cheung Chau Hotel, the 78-room Silvermine Beach Hotel and the 114-room Dollar Apartment Hotel. Hotels opening in 1984 include the 402-room Prince Hotel in Hong Kong's Harbour City, Kowloon, and the 750-room Hotel Riverside Plaza. The opening of the 320-room YMCA Hotel is slated for early 1985. By 1985, there will be more than 20,000 rooms in 56 properties.

Andrew C. S. Lam
Wong Brothers & Co.
Hong Kong

From India

Tourism in India continues to be stagnated. At press time, final figures of tourist arrivals for 1983 were not yet available; however, the increase in arrivals for the first 10 months of 1983 was only 1.3 percent.

If future increases are not more substantial, then the government's target of 3.5 million foreign tourists by 1990 will not be realized. At best, India can hope to have not more than 1.75 million tourists by 1990—half the targeted figure. This is a disappointing performance for a country the size of India and so rich in tourist attractions.

Several factors are having a negative impact on tourism in India. The country is very far from Europe and America, and the standard airfare is prohibitive. Hotel rates in Delhi and Bombay are no longer inexpensive, especially compared with competing destinations like Sri Lanka. Also responsible are India's visa system, poor publicity and lack of planned marketing, an unsatisfactory infrastructure and a lack of official government interest and encouragement.

Some people involved in the tourist industry think that one way to increase tourist traffic would be to encourage inexpensive charters directly to different tourist centers in India. The cost of a package tour would drop if charters go directly to these centers instead of being routed through Delhi or Bombay where land prices and room rates for all new hotels are higher.

One redeeming feature is that while the average period of stay for foreign visitors worldwide is only a few days, in India it is an impressive 22.5 days. No doubt this figure is largely due to the many tourists visiting friends and relatives who stay for up to three months but spend little money.

Despite low arrival figures, India's foreign exchange earnings from tourism are impressive. What is most remarkable is that this has been achieved without much effort. Tourism continues to enjoy a very low priority in the government's scheme of things, and there is no hope of any change in this policy during 1984-1985, when the general election occurs.

Currently, in the entire country there are only 371 hotels on the government approved list with a total of 23,620 rooms. Due to this shortage of rooms in cities other than Delhi, the occupancy rate and profitability continues to be satisfactory. Delhi, however, continues to experience problems of excessive capacity. Most larger chains are proceeding with plans for expansion reflecting their long-term optimism for the industry; they are also seriously contemplating adding to their properties overseas.

Vasant Raiji
N. M. Raiji & Co.
Bombay

From Indonesia

Arrivals in Indonesia for 1983 were up 7.7 percent from those in 1982. Although arrivals from Europe, Indonesia's largest market, increased only 1.1 percent, arrivals from North America increased 9.1 percent, the largest gain in any market. This is attributable to the 50 percent devaluation of the rupiah, which made Indonesia an attractive destination for Americans in 1983.

Quality Inns International has announced plans to build 10 new properties in Indonesia, representing 5,564 new rooms. They are expected to be of four- and five-star quality and are scheduled to open from late 1985 through 1986. Properties in Nusa Dua and Bali are to be resorts, while other hotel locations will include Jakarta (685 rooms), Medan (586 rooms), Semarang (580 rooms), Yogyakarta (586 rooms), Ujung Pandang (586 rooms), Lombok (388 rooms), Banyuwangi (388 rooms) and Bogor (500 rooms).

Drs Machdjud Modopuro
Drs Machdjud Modopuro & Co.
Jakarta

From Japan

Tokyo Disneyland, Japan's newest tourist attraction, opened in April 1983. The theme park will be open year-round and should make an impact on Tokyo's lodging market.

Many new hotels opened in Japan, especially during the later months of 1983, and more are scheduled to open in 1984. Properties that have already opened are the 240-room Okayama, the 184-room Koriyama Washington, the Manza Beach resort in Okinawa, the 118-room Fujita Nara, the 431-room All Nippon Airways (ANA) Hotel in Hiroshima, the 155-room Alpha Tomanu in Hokkaido, the 155-room Tsukuba Dauchi in Ibraagi, the 141-room Hokke Club Kokura, the 315-room Nagoya Dai Ichi, the Kawaski Nikko, the 1,300-room Shinjuku Washington Hotel, the 240-room Okayama, the 377-room Yaesu Fujiya in Tokyo, the 760-room Okaska Prince in Tokyo, the 300-room Toyama Washington and the 140-room ANA hotel in Ube.

Many other projects are now in the planning stage. The New Otani hotel chain plans a 300- to 400-room property in Niigata and a similar size property in Kochi City. The Hokke Club is opening three hotels in 1984. All Nippon Airways (ANA) plans to open the 500-room Sheraton Osaka in October 1984. The 858-room Tokyo Hilton International Hotel is slated for late 1984 and the 308-room Hotel Keihan Kyoto is planned for May 1984.

Munemitsu Tashiro
Horwath & Showa Co. Ltd. Japan
Tokyo

From Korea

South Korea's travel industry appears to have recovered from the slump it experienced at the turn of the decade. Increases in occupancy, rates and visitor arrivals are signs of this growth. Food and beverage sales are also expected to rise due to an increase and upgrading of facilities.

Seoul, the capital, had 11,258 rooms available in 1982. Although the opening of the 704-room Hilton will not saturate the market, competition should become more fierce with its opening and the upgrading being done by other hotels.

International arrivals will increase when worldwide attention is focused on South Korea during the 1986 Asian Games and the 1988 Olympic Games. Tourism overall has increased at a steady 6.9 percent since 1973, with last year's visitor count reaching 1.2 million.

Although few areas outside the capital have been developed for tourism, two new resort areas are planned—Namwon, on the fringe of the Chin Mountain National Park, and Ch'ungmu Donan, alongside Hallyo Sea National Park.

Hoteliers are targeting the Korean business travel market during slow periods, and plan to expand their convention and meetings business.

Soo Kil Kim
Chong-un Accounting Corporation
Seoul

From Macau

The Macau Tourist Information Bureau reports that visitor arrivals from North America were down almost 20 percent in 1983, yet overall arrivals increased 5 percent. An increase in arrivals from China helped offset the loss from North America.

Two new properties, the Hyatt Regency Macau (located on Taipa Island) and the Hotel Royal opened in 1983, increasing the number of rooms by 736 units. The Hyatt Regency was a first for Asia—the units were built in Alabama and shipped to Macau. Two other properties, the Excelsior Hotel and a Holiday Inn with a casino, will open in 1984. A 460-room addition is slated for the Lisboa as well. Unfortunately, these projects will open at a time of falling international arrivals.

Clarence Peters
Laventhol & Horwath
San Francisco

From Malaysia

High room rates and a reduction in the number of American visitors have resulted in a decline in arrivals in some locations. In Kuala Lumpur, high room rates have caused some travelers to exclude the city from their itineraries. Hotels in Kuala Lumpur benefit from commercial traffic and a shortage of rooms. New hotel projects that would add 3,500 rooms have been announced and could cause rates to level and occupancies to drop.

In Penang and the East Coast, both rates and room occupancy showed gains. Numerous hotel projects have been announced, which if completed, should affect these increases.

Terence Oh
Yusuf, Oh & Siva
Kuala Lumpur

From New Zealand

New Zealand has become a popular destination, especially for Asians, according to 1983 arrival figures. Arrivals from Japan, the region's largest market, increased 9.8 percent in 1983, while arrivals from Singapore were 10 percent higher than in 1982. Arrivals from Hong Kong showed a 15 percent increase. Overall, arrivals from Asia (excluding Japan) were up 13.1 percent. Asia should continue to be a major growth market for New Zealand. At this time, Indonesia and the Philippines are not considered good markets because of outbound restrictions.

New Zealand has 20 ski areas with prices that are low by international standards. Its seasons also occur opposite to those of Europe and North America. It should, therefore, see growth from this market in the coming years.

The major hotels represented in New Zealand are Sheraton, Hyatt Kingsgate (which owns and operates 10 properties) and Travelodge (which has 15 properties throughout the country). Motor inns, with rates ranging from US$20 to US$34, have been developed to meet the demands of local and FIT (full inclusive tour) travelers. Bed and breakfast style inns can also be found in city and suburban homes or on farms.

Wilfred Marley
Marley Loft
Auckland

From the People's Republic of China

China is making visible progress toward developing quality hotels for foreign visitors, and there are signs that hotel construction is finally gaining momentum. In 1981 to 1982, only 11 hotels were completed, but official Chinese sources say that more than 50 are expected to be completed between 1983 and 1985. These hotels would provide more than 20,000 new rooms. By then, mainland China should be hosting 10 million visitors annually.

The emphasis on expansion of accommodations has been in the cities of Beijing, Xi'an, Shanghai, Guilin and Canton. Beijing, which had less than 2,000 rooms for tourists in 1980, should have between 9,000 to 10,000 rooms by 1985. However, many hotel completion dates have been delayed due to construction difficulties, including shortages of building materials and lack of local technical expertise. Also, an announcement that there will not be any joint-venture hotel projects until after 1985 has caused some concern among foreigners involved in China's hotel industry. Another problem is that, as the number of rooms increases, improvements in management service need to be addressed. At this time, China is not equipped to train the number of employees needed to staff the new hotels.

Business travelers and tourists should benefit from the new hotel developments, but due to a lack of management expertise, a quick upgrading of standards in China's hotel industry is not expected.

Clarence Peters
Laventhol & Horwath
San Francisco

From the Philippines

Due to recent political unrest, air traffic is down 27 percent, and this has had a significant effect on the tourism industry. One hotel experienced 4,000 room night cancellations in one month, mainly from Japanese and Taiwanese groups. The largest decrease occurred the first few weeks after the assassination of opposition leader Benigno Aquino.

Hotel business had been very competitive before the adverse events, forcing rate discounting. Now, occupancies are down as well. Although devaluation of currency

will be bad for the average Filipino, it is attractive to United States visitors.

For several years, the government has been trying to develop the travel industry beyond Manila. Only one area, Cebu, is experiencing growth and is evolving into the Philippines' secondary destination after Manila.

Barring any serious political unrest, the Philippines' tourism, and especially Cebu's, should continue to grow.

Clarence Peters
Laventhol & Horwath
San Francisco

From Singapore

For the first time in nearly 20 years, the level of tourist arrivals declined about 3.5 percent to approximately 2.85 million in 1983. The strength of the Singapore dollar and travel restrictions by neighboring countries such as Indonesia, the Philippines and Thailand, which are significant markets for Singapore, contributed to the general decline. The Singapore Tourist Promotion Board is seeking to reverse the current decline. One idea being considered is a major tourist facility, such as a Disneyland-type theme park, which might attract additional tourism in the future.

Singapore has roughly 15,000 existing hotel rooms. By the end of 1988, the supply of hotel rooms will almost double with the completion of approximately 25 new projects and extensions. The average annual room occupancy was approximately 75 percent in 1983. This is expected to fall in 1984. Due to a significant increase in hotel supply, a short-term shortage of labor in the industry, particularly of skilled personnel, is anticipated.

Nevertheless, Singapore remains an important focus of tourism within Asia. Factors contributing to the city's international reputation include its extensive infrastructure of communications, air transportation, telecommunications, hotel, office and general urban facilities; its political and economic stability; and availability of diligent workers. The current uncertainty regarding the future status of Hong Kong could well benefit Singapore since Hong Kong is regarded as the major regional tourism competitor.

Significant hotel and tourism developments such as Raffles City, Marina Centre and Rahardja Centre may well change the emphasis of tourism within Singapore. The "Orchard Road Corridor" is planned to be extended to the seafront at Marina City, with the latter possibly becoming the new focus of tourist activity in Singapore.

Leslie K. C. Wong
Wong and Teo
Singapore

Geoff S. Parkinson
S. Thiew Tan
Horwath & Horwath (U.K.) Ltd.
London

From Thailand

Arrivals in Thailand rose 10 percent in 1982; however, the bulk of that increase was from Malaysia while European and North American arrivals fell sharply. Little improvement is expected from Europe, especially from France, where a travel allowance restriction has been imposed. Future growth is seen in regional incentives and conference business.

Bangkok, the capital, is already experiencing oversupply problems and by 1985, 10 major hotels will be added. As a result, there has been much discounting of rates. One favorable development has been a proposed reduction of the hotel tax from 16.5 to 11 percent; however, the government has delayed introduction from its original May 1983 due date. Pattaya, a well-known tourism area, has experienced a slump due to the opening of lower-grade hotels and the recession in Europe. Both Chiangmai, the northern center of tourism, and Phuket, which has the greatest potential after Pattaya of any Thai secondary destination, suffer from access problems. Established hotels see Asian and domestic conferences as the major growth areas.

Clarence Peters
Laventhol & Horwath
San Francisco

HORWATH & HORWATH INTERNATIONAL

EUROPE

General Comments

Most of western Europe is still experiencing the problems caused by economic depression. Because consumers in each country are not aware of any economic upturn, they are reluctant to make long-term and expensive commitments to taking vacations. This experience varies between countries according to economic expectations. For example, there is still no sign of the depression ending in France; in fact, there are considerable prospects that unemployment will increase. In contrast, the United Kingdom has already achieved a measure of economic recovery, and prospects appear relatively attractive by the standards of the decade. West Germany is not facing the forlorn prospects of France, but nevertheless currently seems to have less opportunity for economic recovery than the United Kingdom.

Because many of the southern European countries are tourist-receiving countries with important tourist industries, their economies will be much affected by changes in the demands generated by the northern industrial nations.

The recession has been deeper than that of the early 1970s. Nevertheless, there does not seem to have been any reduction in the tendency to take holidays and business trips, which in itself is a heartening factor. There have been distinct changes in the types of vacations taken and the style of accommodation used, with a curtailment of the more exotic and expensive trips and the continued concern for the value of money. There is growth in domestic as opposed to international tourism. Business trips, including conferences, are becoming both shorter and closer to home. Also, the demand for self-catering accommodation continues to grow, apparently displacing business that might otherwise have gone to hotels. To maintain their market share, many resort hotels throughout Europe are increasing their marketing efforts and, in many cases, are inventing imaginative packages. Hotels in the central areas of cities are facing the same situation, and, as a result, many are offering special package deals for weekends and the off season.

Seasonality remains a problem, especially in France where it could well become even more acute in 1984 since many firms are

restricting the dates for employees' holidays, often with the intention of effecting a closing period. This is a retrograde step so far as the hotel industry is concerned. Seasonality will continue to remain a major problem in resort areas for the foreseeable future despite the considerable efforts the International Hotel Association and others have made to counteract its effects. The pilot schemes being introduced will be watched with interest by many.

Short holidays remain a growth market throughout much of western Europe. They often feature activities or appeal to special interests. Hoteliers wishing to attract this type of holiday seeker must be sure to provide the appropriate facilities. Some destinations have not adjusted their offerings sufficiently to attract this market. For example, many hotels in Spain and other destination countries are so involved in seven- or fourteen-day packages that they cannot cope with short holidays or weekend breaks, even in the shoulder seasons.

There is also a long-term trend toward holidays that are tailored to the desires of an individual or small group by a travel agent. This trend is being aided by the increased use of computers within the travel industry. Also, these customized trips often involve car travel, and it is interesting to note that some countries (for example Spain) have been experiencing increased levels of arrival by road.

Most European countries are reporting an increase in visitors from the United States, which reflects not only the strength of the dollar, but perhaps also increasing optimism that the worst of the recession for Europe's tourist industries has passed. In most European countries, however, this optimism is guarded.

On an encouraging note, Paris welcomed 10 million visitors in 1983, 35 percent of total tourism receipts. Also, Portugal registered a 21.6 percent increase in foreign arrivals.

Jonathan Bodlender
Horwath & Horwath (U.K.) Ltd.
London

From Austria

The year 1984 is considered the 100th anniversary of organized tourism in Austria. In 1884, delegates from local tourist boards throughout the German-speaking parts of the Austro-Hungarian empire assembled in Graz.

Today, tourism retains its position as Austria's leading source of external revenue. In 1983, tourism represented 10 percent of the gross national product, which compares with an average of 2 percent in all European OECD (Organization for Economic Cooperation and Development) countries. The worldwide recession, however, is still having a negative impact on tourism in Austria. For example, although visitors from West Germany comprised 68 percent of all foreign tourist arrivals in 1983, this was approximately 3 percentage points lower than in 1982. There was also a drop—to 10 percent of total arrivals—from the second major source of visitors, the Netherlands. On the other hand, the number of visitors from the United Kingdom, the third major market at 4 percent of arrivals, was up slightly.

Overnight stays fell by 2.4 percent during the 1982 to 1983 winter season due to poor snow conditions. With summer receipts failing to compensate, figures for January to October 1983 show an overall decline of 1.4 percent in total tourist revenues.

New markets are now being sought. For example, tourism from the United States has increased from about 1 percent (of arrivals) to around 4 percent. Other growth areas are Canada, Australia and South Africa.

The emphasis of government assistance to the hotel industry has now shifted to improvement, rather than development, of hotels and pensions. The aim is to improve quality and consolidate basic services and the infrastructure. Marketing activities abroad have also expanded, particularly in the United States.

Günter Cerha
Auditor Treuhandgesellschaft M.B.H.
Vienna

Howard Williams
Horwath & Horwath (U.K.) Ltd.
London

From Bulgaria

Interest in Bulgaria as a tourist destination continues with 1984 experiencing the largest increase in bookings for several years. In particular, one major United Kingdom tour operator recently announced that increases in sales on a percentage basis are higher than for any other destination it offers. Arrivals for 1983 were 20 percent higher than those for 1982.

The main emphasis in the marketing of Bulgaria is still value for money, but awareness and Western resistance to vacationing in a socialist country continue to hinder growth of tourism. Arrivals from neighboring socialist countries far surpass arrivals from Western countries; approximately 600,000 visitors came from Yugoslavia, 400,000 from Czechoslovakia and 350,000 from the Soviet Union.

The importance of tourism to the Bulgarian economy was demonstrated by the recent formation of the Bulgarian Association of Tourism and Recreation, with the head of this organization carrying junior minister rank. It is also interesting to note that the World Tourism Organization is proposing to hold its general assembly in Bulgaria in 1985.

Howard Williams
Horwath & Horwath (U.K.) Ltd.
London

From Denmark

In Denmark the lodging industry remained stable; overall there were neither dramatic increases nor decreases during 1983 compared with 1982. The number of guest nights for 1983 was 8.455 million, a 1.1 percent increase compared with 1982. Bed occupancy dropped from 37 percent in 1982 to 36 percent in 1983. The number of rooms occupied rose 1 percent to a total of 5.228 million, although room occupancy for 1983 (49 percent) remained the same as for 1982.

In the greater Copenhagen area, the bed and room occupancy rates for 1983 were 52 and 65 percent respectively, compared with 52 and 64 percent in 1982.

The percentage of foreign guests for 1983 (53 percent) was identical to that for 1982. The most important foreign markets are West Germany, Sweden, Norway and the United States. Arrivals from West Germany, however, declined 6.4 percent from 1982. The number of visitors from the United States rose 21.5 percent.

Summer continues to be the primary tourist season, which has led to rather low average rates and an unsatisfactory use of facilities during the off season. Two very

important markets are conventions and seminars, and many of Denmark's hotels are striving to provide superior facilities for these markets.

In general, the Danish hotel industry seems optimistic about the near future. This is partially due to the fact that in recent years Denmark has become very price-competitive, and awareness of this is beginning to become known around the world.

Ivan Jasper
Horwath & Horwath Denmark
Copenhagen

From Finland

Room occupancies for hotels dropped 5 percent in Finland during 1983. Part of the decline is due to a reorganization of the reporting procedures of statistics.

In Helsinki, room occupancies for hotels remained stable at 71 percent. Although no large hotel projects are planned, two large existing hotels expanded their number of rooms. According to the Finnish Tourist Board, no further growth in supply is needed, but the existing facilities need to attain a higher standard. Resorts in the mountain areas are fairly undeveloped, and not much has been done to improve the situation.

The negative tourist balance increased further from 286 million FMK in 1982 to 750 million FMK in 1983. This can partially be explained by the fact that the Finnish people traveled abroad more (an increase of 14 percent) while incoming tourism remained at the same level as in 1982.

The number of bed nights for hotels increased 4 percent, with a considerable increase of 53 percent from the Japanese market. The explanation for this is that Finnair recently started a direct flight to Tokyo. The American market also increased by 31 percent. The Swedish market decreased (10 percent), as did West Germany and Norway.

The extension of the large ferry lines between Sweden and Finland has affected, and should continue to affect, the Finnish hotel market by taking away a share of the conference market. During 1985, both major ferry lines will acquire new and larger boats with larger conference facilities.

Harry Lindberg
Jägerhorn, Lindberg, Almqvist & Co.
Helsinki

Anders Ågren
Horwath & Horwath Sweden AB
Stockholm

From France

Although 1983 remained a recession year, economic indicators showed a slight but noticeable improvement over 1982. The inflation rate dropped to 9.7 percent from approximately 12 percent in 1982. Salary increases have been stabilized at 10.9 percent, a marked difference from the 15.3 percent experienced in 1982, and this has resulted in a .5 percent purchasing power improvement. Unemployment, fueled by a severe austerity program, rose in excess of two million people to represent 8 percent of the active population. The gross domestic product progressed only .5 percent. Private investment decreased 1.9 percent; public investment dropped 3 percent.

The tourism industry has been one of the rare sectors that has been able to improve its performances by achieving a positive balance of payments of 70.3 percent over the 1982 figures.

Paris alone received 10 million visitors in 1983 and continues to be one of the first urban tourist destinations worldwide. The French capital provided 35 percent of the country's total tourism receipts, which is more than the combined percentage of mountain and country resorts throughout France. Paris remains the leading European city for conference activities. Because of the austerity program and the introduction of exchange controls and regulations, the number of French nationals going abroad for holidays decreased substantially. However the number of French people taking vacations in France increased 2.6 percent and guest nights rose 2.8 percent.

The significant French currency depreciation resulted in a substantial increase of foreign tourists visiting France, especially from North America. The exchange rate of the dollar increased 26 percent (from a value of 6.73 francs in 1982 to 8.36 francs in 1983). As a result, 1983 arrivals from North America increased 16.8 percent, with spending rising 51.6 percent over 1982 figures; this has been the main factor in the improvement of the tourism balance of payment.

The increase of foreign visitors has particularly benefited the four-star and deluxe properties and has more than compensated hotels for the 10 percent decline in the number of French guests. Occupancy rates for these hotels increased 1.5 percent. This trend was strongest in Paris.

Three-star hotel occupancy has remained at its 1982 level, indicating that the reduced demand for four-star accommodations from French guests has not directly benefited hotels of a lower standard.

Two-star hotels have increased their occupancy rates slightly and still maintain a growth trend. Two-star hotel chains are continuing development with a direct effect on general occupancy rates. Also, several chains are expanding abroad. In this market segment, new strategies are oriented toward small-sized units acquired through the renovation of buildings in the central areas of cities. They generally do not include any restaurant facilities. New concepts for developing one-star budget hotels are being studied. New chains should emerge in the coming years to operate these facilities.

René Amirkhanian
Horwath & Horwath France
Paris

From Greece

Despite significant declines in tourist arrivals in 1982 and 1983, 1984 is expected to be a year of recovery.

In 1983, tourist arrivals from the United Kingdom, traditionally the strongest market for Greece, declined 15 percent to less than 900,000 arrivals. In 1984, the United Kingdom market is expected to approach one million arrivals again.

For the hotel industry, the disappointing occupancy and profit performance figures of the last two years has resulted in keeping 1984 rates at 1983 levels in hard currency terms. Recognizing the financial difficulties of many hotels, several tour operators have acquired shares in hotel companies. Tourism officials have voiced strong opposition and have requested both government and bank officials to ban such deals.

A further dispute affecting the operation and potential future profitability of

hotels has arisen over legislation granting permanent employee status to all hotel staff, many of whom were hired on a day-wage basis.

Future prospects for the hotel industry in Greece are uncertain. Tour operator contract prices will undoubtedly increase in 1985. With continuing inflation and the almost inevitable increase in payroll costs, however, profit levels will continue to be constrained.

Hercules D. Kontos
H. D. Kontos & Company
Athens

Geoff S. Parkinson
Horwath & Horwath (U.K.) Ltd.
London

From Italy

In 1983, the hotel industry consolidated the position it achieved in 1982. This must be considered a positive advance since 1982 was an excellent year for the industry—with tourism and hotel occupancy rates showing positive results.

Prices in 1983 rose about 15 percent in line with the cost of living, but these increases are the industry's main concern for the future. So far, the increases have had minimal impact on overseas tourists due to the devaluation of the lira, but they are affecting domestic tourists.

As predicted in last year's edition of this publication, international hotel chains are expanding in Italy. Sheraton has opened two new hotels; another is due to be opened in early 1984. Other major hotel chains are also looking to establish new hotels in Italy.

Massimo de Rosa
Horwath & Horwath Italia sas
Rome

From Luxembourg

Luxembourg's tourism industry has not yet realized its full potential. Each year more than three times as many foreigners cross the border into Luxembourg as there are inhabitants, but the majority stay only for short periods since they are "day-trippers" or travelers-in-transit. The significant proportion of visitors who stay longer are either motor tourists from the neighboring countries of West Germany, France, Belgium and the Netherlands or business and diplomatic visitors to the city of Luxembourg, which is a seat of the European community and the location of a large number of foreign banks.

Tourist arrivals at registered hotels and campsites had declined during 1979 and 1980, reflecting the impact the recession has had on European tourism in general. Since 1980, visitor arrivals have increased from about 432,000 to 449,000 in 1982. Belgian visitors are the most important source of demand for hotel accommodation, accounting for 31 percent of arrivals. Other major markets include the Netherlands (15 percent), Germany, France and the United States.

On the basis of a study conducted by Horwath & Horwath (U.K.) Ltd. on a proposed thermal SPA hotel in the southern part of the country, it is evident that Luxembourg currently is not marketed aggressively as a tourist destination. Also, there is a general lack of awareness of its potential among many major international tour operators.

Traditionally, the majority of vacationers to Luxembourg are not with tours and there is a strong emphasis on campsite accommodation. At the same time, interest in Luxembourg for group tours traveling by motor coach appears to be increasing. Although this interest is often only for one-night stopovers en route to or from other areas of Europe, this has created a growing requirement for hotel accommodation in tourist regions throughout the summer months. Conferences also represent a significant demand for hotel accommodation, and companies based in Luxembourg City often are forced or choose to use facilities well outside the city for staging residential and nonresidential conferences.

Major hotel proposals for Luxembourg include three in the city itself, two of which are under construction, and the proposed thermal SPA Hotel at Mondorf-les-Bains in the south, also under construction.

David Begbie
Hoogewerf & Co. S.A.
Luxembourg

Howard Williams
Horwath & Horwath (U.K.) Ltd.
London

From the Netherlands

Last year's comments forecasted a decline in overall results for 1983 in comparison with the excellent outcome in 1982. Unfortunately, this forecast proved to be accurate. Occupancy rates decreased approximately 7 percent; however, not all hotels, regions and cities were affected equally. Moreover, occupancies showed large variances from month to month.

Tourism from both domestic and foreign sources declined, resulting in an even greater deficit in the traditionally negative Dutch balance of payments for travelers. Dutch tourists traveled abroad instead of spending their holidays in the Netherlands. Foreign tourists declined in number, especially from the United Kingdom (due to the exchange rate) and from France (due to restrictions on foreign currency). American tourist arrivals, however, increased 10 percent, and there seems to be renewed interest in visiting Holland and Europe in general as indicated by Trans World Airlines' (TWA) April 1984 introduction of a daily flight to Amsterdam.

The Dutch hotel industry improved its position as a location for international conferences. The Netherlands received more than its fair share of the 10 percent international increase in this market; the result was a national increase of 46 percent.

As for the business travel market, the economies of the European Economic Community (EEC) countries seem to have passed their lowest points and show some signs of recovery. The Netherlands is lagging behind in this respect since its currency is backed by natural gas and oil. The hotel industry traditionally lags behind the country's general economic position and, therefore, may pick up during 1984.

There is much interest in the construction of new first-class hotels, especially in Amsterdam and nearby North Sea resorts. Also, prime locations around Schiphol Airport are in demand. Although this may not seem to correlate with declining occupancies, it may be caused by the fact that many of the better Dutch hotels are aging rapidly and should be replaced or renovated.

A significant development in the Dutch hotel industry is KLM (Airlines), which is entering the international hotel chain market with Golden Tulip hotels in Holland. Recently, Sheraton Schiphol was taken over and the Central Hotel in Amsterdam

will be renovated and enlarged. Near Amsterdam, a 100-room top quality hotel will be opened shortly. Other locations are under study. International expansion is shown by entering into management contracts elsewhere in the world, e.g., the Barbizon in New York.

J.J.A. Lieshout
Drs. H.M.P. Muller
Horwath & Horwath L.T.I. Nederland B.V.
Amsterdam

From Norway

The preliminary figures for the hotel and restaurant industries in the national accounts for 1983 show that total receipts rose from 10.3 billion Norwegian krones in 1982 to 11.7 billion Norwegian krones in 1983, an increase of 13.4 percent.

The increase in the volume of demand is estimated to be between 1 percent and 3 percent resulting in a price increase of 10 to 12 percent. This means that the industry's prices have risen 2 to 3 percent more than the 8.5 percent general rate of inflation in Norway in 1983.

Considering the economic situation in Norway and the rest of Europe, 1983 was a satisfactory year for the hotel industry. The total number of guest nights increased in 1983 by about 1.6 percent. The city hotels increased by 1.9 percent, hotels in the country by 4.2 percent, and tourist hotels by 0.7 percent. These increases are gratifying in light of the fact that the number of guest nights had declined by 3.9 percent in 1982.

Both the summer and winter seasons showed improvement with regard to volume for most types of establishments. The statistics show great variation, however, between different markets. The managers of tourist and mountain hotels were disappointed by a reduction in the number of Swedish, Dutch and British guests during the winter season. Fortunately, business from Norwegian and Danish tourists increased by a corresponding degree so that the number of guest nights remained the same.

The operators of city hotels were also disappointed by the decline in business from all foreign countries during the winter season, resulting in a 1 percent decline in guest nights for the winter months.

On the positive side the total number of guest nights increased 3 percent during the summer, possibly due to more differentiated pricing and low price increases. The number of guest nights increased 1.3 percent for the tourist and mountain hotels and 4.2 percent for the city hotels.

Arrivals from Sweden declined the most. There was less of a decline for the other foreign markets, while American arrivals increased 22.6 percent, representing the largest foreign market. The "other countries" group also increased greatly, with Japanese visitors accounting for a large portion of this business.

Despite favorable volume increases, occupancy levels declined from 56.7 percent in 1982 to 55.3 percent in 1983 because the increase in the number of beds has been greater than the increase in demand. The tourist and mountain hotels experienced a decline in occupancy from 50.8 percent to 49.3 percent; city hotels dropped from 64.9 to 64.3 percent.

The financial situation of the city hotels appears to be satisfactory. In spite of the increase in demand, tourist and mountain hotels still have financial problems, and further bankruptcies and closings are anticipated. The reasons are, first and foremost, the high cost of capital and overinvestments. Even if the total market has increased in volume, demand has shifted, leading to a year-round decrease for isolated establishments with low physical standards and inadequate recreational facilities.

Expectations for 1984 are cautious. There are positive signals in the Norwegian economy, and it is assumed that the purchasing power of most workers will remain unchanged. Figures for the 1983-1984 winter season look good, and booking reports for the summer of 1984 indicate that last year's favorable trend will continue. It is also assumed that 1984 wage settlements for the lodging industry will be moderate in order to increase Norway's ability to compete abroad and to lower inflation. This would have a positive effect on prices and the cost of development in the industry, and improve the competitive situation.

Andreas Rødven
Horwath & Horwath Norge A/S
Oslo

From Portugal

Last year's comments expressed optimism for the remainder of 1983, and to some extent, this forecast was accurate. Arrivals from most foreign markets increased, and the total number of foreign visitors reached a new record of 8.875 million, 21.3 percent higher than the total for 1982.

Increases in the number of visitors from 1982 to 1983 are as follows: Denmark, 46.7 percent; Belgium, 26.3 percent; Spain, 25.9 percent; Netherlands, 25.2 percent; West Germany, 22.7 percent; United States, 21.2 percent; France, 13.8 percent; Republic of South Africa, 12.4 percent; Switzerland, 11.7 percent; Canada, 11.4 percent; United Kingdom 10.3 percent; Norway 8.3 percent; and Japan, 3.8 percent.

From the countries that have traditionally been good markets for Portuguese tourism, only four showed a decrease in arrivals for 1983. These included: Brazil, down 28.4 percent; Italy, 8.9 percent; Sweden, 7.8 percent; and Finland, 5 percent.

Although arrivals in general increased, occupancy rates from January through September 1983 for traditional hotel facilities declined 1.2 percentage points from 1982 results. This indicates the increasing preference for nonconventional accommodation or self-catering facilities.

Two new four-star hotels opened in Oporto in the beginning of 1984, and openings of several new five-star hotels have been confirmed for 1984 or early 1985. These include Meridien in Lisbon and in Oporto, Novotel in each of these same cities, Sheraton on the Algarve and the Sotinca in Oporto.

Humberto Leal
Horwath & Horwath (Portugal) Turismo, Lda.
Lisbon

From the Republic of Ireland

For the Irish tourist industry, 1983 was reasonably satisfactory, but by no means spectacular. A particularly positive factor was a 30 percent increase in revenue from North American visitors (17 percent when adjusted to inflation) despite a 4 percent reduction in the number of arrivals. The number of visitors from Britain increased marginally by 2 percent, while revenue increased 6 percent (4 percent decline in real terms). The trend in arrivals of German visitors was very positive, while the restrictions (on foreign currency) in France resulted in predictable decreases

from this market. Domestic tourism did not show a significant increase, and overall revenue generated by the industry was static in real terms (after inflation).

The Irish Tourist Board is particularly optimistic about the North American market for 1984 and has allocated 40 percent of its promotional budget to this area. A continuation of the dollar's relative strength, combined with a return to the competitive airfare situation that existed in 1982, is expected to increase volume 6 to 10 percent over 1983 figures. Advance bookings to date appear to confirm these expectations although it is too early to judge conclusively.

Market growth is anticipated from Britain and the rest of Europe. Germany, with its strong economic position, is expected to show continued improvement. The lifting of travel restrictions in France should also be a positive factor. Domestic tourism is likely to remain static in view of the continuing recession; however, inflation is expected to decline 8 percent in 1984, which offers some optimism for the future.

The hotel industry experienced a further drop of 2 to 3 percent in overall occupancies in 1983. A 20 percent drop in revenue from the food and beverage industry was of much greater significance in view of the Irish tourist industry's unusually high dependence on food and beverage—it accounted for 70 percent of total revenues in 1982. This is attributed to the domestic recession, which has affected social functions severely as well as caused a reduction in business spending.

The state of the industry is dramatically illustrated by the fact that a newly constructed first-class property that opened in Dublin in March 1984 was the first hotel to be built in the city since 1978. None of the leading American chains are represented in Ireland's capital.

On the positive side, there is a view that the industry has "bottomed out." Severe reductions in staffing levels have led to the elimination of many of the unproductive work practices that had been common in the lodging industry. Business traffic, which benefits hotels as opposed to the competing budget properties, appears to be increasing. For a number of years, investors in hotels have seen inadequate returns or losses, but they should enjoy a return to reasonable profitability, given an upturn in the overall economic situation.

Ronan J. Nolan
Horwath, Haughey, Boland & Company
Dublin

From Spain

In 1983, 41.2 million visitors arrived in Spain, a decline of 1.8 percent compared with 1982. Of these, 25.5 million were categorized by the World Tourism Organization as tourists traveling by road.

For the year 1983, tourism receipts in pesetas showed an increase of 25.7 percent over 1982, although when expressed in U.S. dollars they represent a 4.1 percent reduction. This difference is naturally due to the strengthening of the U.S. dollar compared with the peseta during this period. The total figures for the period are 900,020 million pesetas and US$6.9 million.

The prospects for 1984 are encouraging. It is forecast that Spain will realize a 3 percent increase in total arrivals, and a 4 percent increase in those traveling by car. Receipts of more than US$7.5 million are also forecast and, if realized, would show an increase in foreign exchange of 9.7 percent.

Some noteworthy occurrences of 1983 were: the decline in total arrivals during the period July to September; a 4 percent increase in international air traffic; a 2.9 percent increase in the average length of stay of all tourists in hotels, with stays of overseas visitors in hotels increasing 4 percent; a 13 percent increase in hotels' international receipts when expressed in pesetas, but a slight drop when translated into U.S. dollars.

As a result of the success achieved by Disneyland in Japan, which recorded 10 million visitors in a year, Walt Disney Productions has decided to build a similar complex in Europe. Spain, through Enrique Baron, Minister of Transport, Tourism and Communications, has expressed its interest in becoming the location for this project to the president of Walt Disney Productions. It will compete with other countries, such as Germany and the United Kingdom, for this development.

Fernando Termes Anglés
Horwath & Horwath España, S.A.
Barcelona

From Sweden

During 1983, the total number of bed nights for all commercial accommodations, including hotels, holiday villages, campsites and youth hostels, increased 8 percent compared with 1982. Bed nights in hotels increased approximately 5 percent; two-thirds of this was generated within the three major city areas. The increase in overall demand on commercial accommodations was primarily generated from May through September.

Due to a growth in supply, bed occupancies as well as room occupancies remained at the same level as in 1982—48 percent and 36 percent respectively.

The least expensive lodging facilities showed the highest increases. Campsites had a market share of 42 percent of all bed nights in commercial accommodations, and during 1983, the number of bed nights for campsites increased 1.5 million (14 percent). The total number of bed nights for youth hostels increased 10 percent.

Demand from foreign tourists increased 20 percent; the highest increases were generated by the Dutch (53 percent), Americans (33 percent) and Norwegians (31 percent).

The resort hotels in the mountain areas have recovered from the disappointing winter season experienced in 1982. Due to the devaluation of Sweden's currency, it has become quite expensive to go abroad for skiing holidays. Sweden has become less expensive not only for Swedes, but also for residents of other Nordic countries.

Room occupancies for city hotels in Sweden increased slightly to 51 percent (from 50 percent in 1982). Bed occupancies remained the same (38 percent). The number of occupied rooms and beds increased 5 and 6 percent respectively.

In the greater Stockholm area, room occupancies for city hotels decreased 1 percent to 70 percent. During weekdays, the average room occupancy was 77 percent and during weekends (Friday to Sunday), it was 56 percent. The number of rooms and beds occupied increased 6 and 7 percent respectively, but due to a greater growth in supply, room and bed occupancies decreased.

Room occupancies are expected to drop further during 1984 because supply

continues to grow. Approximately 1,390 and 720 rooms will be added to Stockholm's room supply in 1984 and 1985, respectively. This means that the capacity of rooms will increase 16 percent during 1984 and another 7 percent during 1985.

Also, the room occupancies in Gothenburg are expected to drop for the same reason as in Stockholm. In 1983, room occupancies decreased 1 percent to 62 percent even though, at the same time, total demand increased. In 1984, Gothenburg will acquire approximately 640 new rooms, a 16 percent increase in capacity. During 1985, 225 additional new rooms will be added, and in 1986, Sheraton plans to open a 300-room hotel.

Figures for the first seven months of 1983 indicated that the number of charter tourists decreased 23 percent, and it appears that this trend continued throughout 1983. It is now evident that the Swedish tourism industry will grow significantly during the 1980s.

Anders Ågren
Horwath & Horwath Sweden AB
Stockholm

From Switzerland

During the first five months of 1983, Switzerland's lodging industry experienced a decline in business, which came to an end in June when 3 percent more guest nights were registered than for June of the previous year. In September, due to beautiful weather conditions, the lodging industry continued to achieve favorable results equal to those of the previous year, and results for October even surpassed 1982's total of guest nights by 7 percent. For the whole year, 74.8 million guest nights were reported, which represents a decrease of 2 percent from 1982. Considering the generally passive industrial situation, the high value of the Swiss franc against most other currencies and, as predicted in last year's comments, the effects of the currency restrictions in France, these are gratifying results.

Poor snow conditions around Christmas led to a somewhat slow start for 1984. Better results are expected for the winter season of 1984-1985. However, the relatively weak German mark must be taken into account, because a substantial share of all European tourists come from Germany.

In 1983, there were more overseas tourists and slightly fewer Swiss and European tourists. In 1984, this trend is expected to continue, especially in the mountain areas, where hotel operators anticipate more tourists from the United States, Japan and Australia, and approximately the same number from Europe recorded in 1983.

Due to a number of factors, prices in the lodging industry will not decrease, but efforts are being made to offer quality and superior service. Generally, the Swiss lodging industry is optimistic about 1984 and in many aspects tourists will receive more personalized attention. In the past, tourism has changed due to technical and electronic facilities, and a return to more personalized service will be welcomed.

Ruedi F. Fleischmann
Horwath Treuhand & Revisions AG
Zurich

From the United Kingdom

The hotel industry continues to climb out of its recession, although its situation was certainly never as severe as that of the nonservice sector. Changes in the hotel industry have been characterized more by a reorganization of ownership than any loss of accommodation stock. One example of this is Grand Metropolitan's continuing to dispose of its properties.

Following a successful year in 1983, London looks poised for a good and perhaps even a boom year in 1984. Already some tour operators are having to pay nondiscounted prices. The lack of any additional supply of accommodation in London, combined with an increasing demand, will inevitably result in increased occupancy levels. Unfortunately, it could also lead to London hoteliers raising their prices and creating the cyclical events previously witnessed when London ranked as the most expensive capital city for hotel accommodation.

The reluctance of the planning authorities in central London to consider hotel development does not help a difficult situation. As forecast in previous years' comments, there is a definite shortage of beds.

Meanwhile, Marriott recently acquired a centrally located hotel that is currently being refurbished. Shortly before this, Novotel also acquired a large unit. Hyatt is another corporation that recently entered the London market, and several other important international operating companies are known to be searching for suitable properties. Near London, the M25 Orbital Motorway is nearing completion. Much of it is routed through "green belt" countryside, and this has caused interest in potential hotel development in its vicinity despite inevitable difficulties in acquiring planning permission. Interest in office development—particularly headquarter offices—and, therefore, also in hotel development has been strong in what is known as the "Golden Triangle" at the junction of M25 and various other motorways just to the west of London's Heathrow Airport. This lower Thames area is also a focus of the country's electronics industry.

Budget accommodation is now at last a reality with the first Comfort Lodge planning to begin construction soon in Swansea, South Wales. Ibis is also set to begin construction close to Heathrow Airport. Other similar new projects are anticipated.

Sizeable grants have been made for two hotel projects in South Wales as part of urban regeneration programs. However, such aid is discretionary and has been refused in Manchester. Other cities, notably Glasgow and Birmingham, have been very active in new promotional campaigns, with Glasgow emphasizing cultural attractions such as its museums and art galleries.

The provinces hold as much interest for the tourist as does London, even though they are not experiencing the same volume of business. In all but those areas severely affected by industrial and manufacturing decline, trading performance is reported as buoyant, especially in relation to the increasingly popular "mini-break" or short-stay business.

Meanwhile, the government's tourism review finally surfaced and, as a result, some reorganization of the tourist boards is still underway. Regrettably, the United Kingdom still has not seen fit to join the World Tourism Organization.

Finally, two changes in the government's fiscal policy were announced in the March budget. First, the government has ended the discrimination against the hotel industry in tax incentives *not* by increasing those available to the industry, but by abolishing or reducing those formerly available to the manufacturing industry. Also, "take-away" food has now

been subjected to value-added (i.e., sales) tax—affecting not only products new to the country like hamburgers, but also the traditional fish and chips.

Jonathan Bodlender
Edward J.G. Davies
Horwath & Horwath (U.K.) Ltd.
London

From West Germany

The tourism industry in Germany has gone through a difficult year during 1983. The political and economic troubles that arose in late 1982 were largely overcome by mid-1983. Due to the revival of the economy and the increasing optimism, the lodging industry experienced increased guest nights during the second half of 1983. Nine million foreign visitor arrivals and 35 million domestic travelers resulted in a total of about 122 million guest nights from January to November 1983. This is a loss of 1.5 percent compared with the same period in 1982. Hotels with 100 or more beds had an increase of 5 percent in guest nights in the above-mentioned period, with much of this business occurring during the months from July through October.

Construction of new hotels has taken longer since funds are not sufficiently available, and hotels erected under tax-saving schemes proved to be very risky even to renowned hotel groups, which manage such hotels. Nevertheless, hotel chains expanded their networks, and new developments in the budget-hotel area have started.

The large number of young people seeking on-the-job training provides the opportunity for development of high-quality apprentices who, in future years, will help overcome the current lack of qualified personnel. This may make it easier to fulfill lodging guests' requirements for more and better service.

If economic recovery continues, travel agencies expect a larger pecentage of Germans to spend their holidays abroad. In previous years, expenses during the holidays had to be cut, resulting in a trend for rental apartments rather than staying in hotels. This trend is expected to continue. Because of increased leisure time, people are taking more but shorter holiday trips in and outside Germany. The long-used marketing tool of weekend packages could attract this type of traveler.

The country's economic difficulties have provided opportunities for the entrepreneurial hotel manager who can adapt. The lodging and restaurant industries in Germany are optimistic about 1984 and hope to achieve better results if the economic recovery continues.

Kurt R. Gelbert
Horwath & Gelbert GmbH
Frankfurt am Main

LATIN AMERICA AND THE CARIBBEAN

General Comments

The situation in this part of the world is rather complex. Many countries are suffering from severe inflation, others are feeling the effects of currency devaluation, and still others are in the process of a very slow economic recovery.

Traditionally, the economic recovery of Latin American and Caribbean countries has lagged behind that of the United States by one to three years. There are indications that a number of countries in the area are experiencing a slow return to normal activity.

From a tourism standpoint, it appears as if the Caribbean Basin countries will be the first to realize economic recovery, particularly as a result of President Reagan's Caribbean Basin Initiative. A plan of this type, which provides assistance to the Caribbean and Central American countries in their efforts to gain a degree of economic independence, has been long neglected by previous U.S. administrations.

Many of the international chains are showing interest in the region and are actively involved in the revamping of the area's hotel industry. This is an indication of where the region's lodging industry might be headed in the next decade.

Many of the area's problems as a tourist destination relate to a bad public image, lack of funding for promotional projects and, particularly, the constant barrage of bad news about the area's social and political disturbances—often exaggerated and taken out of context. However, Latin America and the Caribbean still offer much opportunity to investors who are willing to set a precedent and to analyze unexplored segments of the market.

We are carefully optimistic about the area, particularly for experienced investors who are willing to conduct detailed analyses of the opportunities available at this early stage of the expected economic turnaround.

Eliberto J. Graciá
Laventhol & Horwath
Miami

From Argentina

Political events and economic conditions made 1983 a difficult year for the hotel industry in Argentina. Tourism for the country as a whole was not managed according to a coordinated plan, and government policies on this subject did not prove to be efficient. Nevertheless, tourism was second after grain exports on the list of items generating foreign income year-round.

In the Buenos Aires area, room capacity showed no change in 1983; however, first-class hotels experienced a decline in occupancy to an average rate of 56 percent—the smallest rate in the last five years. Economic instability and the national general elections scheduled for October altered the market demand, especially in terms of business travel and conventions. Room rates also decreased, reflecting the efforts of hoteliers to maintain an acceptable occupancy level and cover the increasing costs in local money, which was not compensated for by official foreign currency rates of exchange. Average rates ranged between US$50 to US$60.

As usual, tourist attractions in other areas of Argentina were subject to seasonal operating activity. This resulted in very high occupancy rates during their respective seasons, with full occupancy during peak times. As a consequence of market conditions, foreign guest demand was not significant and was replaced by an increase in domestic travelers.

After the October elections, new options seemed to be available, and efforts are currently being made to improve the general economic situation.

In relation to tourism, for example, the national airline is studying, implementing and authorizing special travel fares to increase both its own and its competitors' business in the area. Also, some serious propositions to provide tax incentives for investors in the lodging industry are anticipated. Foreign capital is being attracted to Argentina.

According to hotel operators and travel agents, a slight but firm increase in business is expected in the near future. First-class hotels are contributing by increasing their refurbishment and maintenance budgets as well by participating in a joint effort between the public and private sectors to revive tourist activity.

Raúl A. Nazer
Cánepa, Pestarino, Nazer y Asociados
Buenos Aires

From Bolivia

The number of tourist arrivals to Bolivia declined in 1983, and the demographic composition (by nationality) has also changed. Hotels in the three main cities have experienced greater occupancy from neighboring countries due to exchange rate differences. This was especially true in lower-class lodging facilities. First-class properties have experienced the lowest occupancy rates in the last five years.

Nevertheless, political instability and exchange rate advantages have maintained tourism in lower-class accommodations. Excluding the occurrence of a military takeover, most operators foresee improved occupancy rates in 1984 due to better promotion and increased national and intraregional travel.

Gonzalo Ruiz Ballivián
Horwath & Horwath (Bolivia) Ltda.
La Paz

From Colombia

During 1983, a total of 1,095 rooms were added to the nation's hotel supply, bringing the total inventory for all categories of hotels to 27,672 rooms.

The lodging industry in Colombia has been seriously affected by the currency devaluations that occurred in Venezuela and Ecuador, neighboring countries whose citizens were a major market segment for Colombia's hotels.

COTELCO, the Colombian Hotel Association, under the leadership of Nicolas del Castillo Mathieu, has embarked on an aggressive program to train the nation's hoteliers, and is being assisted in this effort by the School of Hotel Administration at Cornell University. In 1985, the association, in conjunction with Anselmo González Labrada y Asociados Ltda., the HHI member firm in Colombia, plans to issue the first annual study of the nation's hotel industry. This study will provide the public and private sectors with operating statistics about the industry.

An addition to the Bogota Hilton is progressing rapidly. When complete, the new hotel will have about 850 first-class rooms and, according to José L. Zabala, Hilton's director for Colombia, will be among the finest hotel facilities in the world. Hilton International also operates a resort hotel in Cartagena and, under the leadership of Zabala, has additional projects planned for other cities.

While hotel occupancy for 1983 was at a low of about 63 percent nationwide, it is expected that the economic recovery of neighboring countries will help reverse this trend during 1984.

Anselmo González Labrada
Anselmo González Labrada
y Asociados Ltda.
Bogota

From the Dominican Republic

The country experienced a slight decline in the number of total arrivals for 1983 due to the material reduction in cruise ship visitors, particularly to Puerto Plata and Santo Domingo. This reduction, however, was offset by the substantial increase in tourists using the Puerto Plata complex as a destination. The opening of Puerto Plata and its acceptance in the market has had a significant effect in the island—by shifting the concentration of tourist facilities on the north coast.

The nation has an abundant supply of rooms to serve its fast-growing market. This includes a large number of rooms in Santo Domingo and Puerto Plata, the world renowned Casa de Campo complex and the planned facilities for the area east of Boca Chica. Also Club Mediterrane's opening of its own airstrip in Punta Cana provided additional access to its rooms. Facilities range from deluxe to budget operations. This, the casinos and other factors contribute to the country's excellent reception in the marketplace.

The Dominican Republic's tourism industry is growing at a substantial rate and, within the near future, is expected to be the premier destination in the area in terms of the number of tourists. This is being accomplished mainly through the initiative of the private sector with the support of government authorities. Other contributing factors include a favorable rate of exchange for tourists, the beauty of the island and the character of its people. Because the public sector is recognizing the importance of the tourism industry and its effect on the local economy—particularly as a generator of hard currency—it should give it the proper budgetary support to conduct further promotional campaigns.

It is still too early to predict the effect of the recent disturbances on the tourist industry.

Sotero A. Peralta
Sotero Peralta y Asociados
Santo Domingo

From Haiti

A combination of negative factors such as the recession in countries that are principal tourism markets, a lack of promotion and adverse publicity affected Haiti's lodging industry in 1982 and 1983. The number of visitors declined approximately 25 percent from the 266,000 guests that arrived in 1981. There was a corresponding decrease in occupancy rates for Haiti's 4,000 available rooms.

The Office National du Tourisme and l'Association Touristique et Hoteliere d'Haiti are engaged in a joint effort of promotion and reorganization to reverse the current trend, restore the standing of the industry, and maintain Haiti as a tourist destination.

Philippe F. Hilaire
Desroches, Hilaire & Associés
Port-au-Prince

From Mexico

During 1983, tourist arrivals in Mexico totaled approximately 4.7 million people, an increase of 24.5 percent compared with 1982.

The occupancy rate for the resort centers of Acapulco, Cancun, Puerto Vallarta and Mazatlan was approximately 80 per-

cent, compared with 65 percent in 1982. This is mainly a consequence of the devaluation of the peso which made Mexico an attractive destination for foreign travelers. Room rates in Mexican hotels are rising, which may lead to a decrease in international visitors.

According to statistics from Banco Nacional de Mexico, domestic tourism decreased by 21 million people from 1982 to 1983. This is the result of the country's inflation which, in turn, has led to reduced business and conference travel. Also, salaries have not kept pace with inflation, and this has reduced the amount of personal travel.

Although it is impossible to forecast how the tourism industry will fare in 1984 in light of Mexico's current economy, it is likely that hotel occupancy rates will decrease.

F. Germán Maldonado
Maldonado, Duplan, Colina y Asociados, S.C.
Mexico City

From Panama

During 1983, first-class hotel occupancy declined to about 58 percent, a decrease of about 6 percentage points compared with 1982. The average length of stay remained below the three-day level experienced in the past.

One second-class hotel, which caters primarily to local and regional visitors, was remodeled in 1983.

As long as political and economic problems continue in Central America, the performance of Panama's hotel industry is not expected to improve. This fact, coupled with upcoming elections in Panama, seems to indicate that there will be little improvement for the industry during 1984.

Hermes P. Espino D.
Audiconta, S.A.
Panama City

From Venezuela

The hotel industry in Venezuela suffered a considerable decline in overall occupancy from 75.2 percent in 1982 to 66.9 percent in 1983. This occupancy decline resulted from a 10.6 percent decrease in the demand for room nights for the year 1983 compared with 1982. No significant increase in room supply was experienced during 1983.

This sharp decline in the demand was caused by the country's virtual economic standstill. Contributing to this standstill were the imposed exchange controls combined with a de facto devaluation of the local currency. For the past 20 years, Venezuela's currency was pegged to the dollar and enjoyed unlimited convertibility. In addition, 1983 was an election year, which has always been a time of economic slowdown due to expectations of changes to come.

The combined and accumulated effects of both circumstances have been negative, not only for the lodging industry, but for all facets of Venezuela's economic performance. The economic and fiscal measures taken in 1983 have not yet been defined in their entirety, and uncertainty remains. The newly elected government assumed control in February 1984, and it is hoped that it will take action soon.

Representatives of the lodging industry expect a considerable increase of domestic and foreign tourism in 1984 in view of the dollar's strong value in Venezuela. The increased purchasing power of the dollar, however, will have only a limited benefit on the tourism industry considering that, historically, the lodging industry has catered to the business traveler. It will be difficult for the lodging industry to recuperate from the diminished demand of business travelers and replace this with tourist demand. The country's economic recovery will eventually add more to the demand increase than any of the haphazard tourism promotions now in place.

Juan A. Seif
Seif Valeri & Acosta
Caracas

From Uruguay

As stated in last year's comments, on November 26, 1982 the government discontinued the policy of preannounced exchange rates. Since that date, the Central Bank has not participated in the foreign exchange market, and the exchange rate depends on private supply and demand. As a result, the foreign exchange rate rose sharply from N$13.80 to N$32 to the U.S. dollar. The closing exchange rate at the end of 1983 was N$43.43.

This situation promoted an increase in Argentine tourists in December 1982 and in January and February of 1983 (summer season 1982-83). Tourism was steady throughout 1983. By December 1983, occupancy levels for tourist hotels were between 35 and 40 percent. During January and February 1984 occupancy levels rose to 80 and 65 percent respectively.

During 1983, the government approved construction of a five-star hotel project with significant tax import duties and other fiscal franchises. The new hotel will be built on the property of the old Victoria Plaza Hotel and on adjacent land.

Fulvio R. Pérez
Marty, Pérez y Asociados
Montevideo

NORTH AMERICA

From Canada

The year 1983 was one of economic recovery. The Toronto Stock Exchange rose 30 percent, the gross national product rose 3.2 percent, and inflation was brought under control. However, the hotel industry did not benefit from the recovery, and, in fact, results continued to decline.

On a national basis, major hotels achieved an occupancy of approximately 60 percent, down about 1.5 points from 1982. The overall average room rate of C$59 was approximately equal to the 1982 rate. Overall revenue declined about 1 percent. It should be noted that a 1 percent decline in gross revenue equates to an approximate 20 percent decline in profit before debt service, income taxes and return on investment, given 5 percent inflation in costs. Poor results were reported in most municipalities across the country, although the West was generally hurt the most, having suffered a sharp decline from the prosperity experienced in the late 1970s and early 1980s. Hotels in the Atlantic Provinces generally coped the best.

The outlook, however, is promising. There is every indication that demand for accommodations will increase. Airline traffic projects are up, and the economy in general is improving. Airline deregula-

tion, if it occurs, could further stimulate demand and bring new travelers into the market. Canadian hotels typically lag behind the hotels in the United States and the overall economy. Our economy improved in 1983, and in June 1983 the U.S. lodging industry as a group reached a turning point after four years of declining monthly occupancy levels.

Despite the relatively poor performance of the Canadian hotel industry in 1983, the year may be long remembered as a major turning point for the industry. Numerous shifts in development, financing and operations occurred.

Market segmentation within the industry was clearly demonstrated. An increasing supply of luxury amenities and VIP floors were developed to appeal to the more affluent traveler. Several all-suite hotels are in the planning stages, and an increasing number of apartment owners are providing furnished suites on a short-term basis as an alternative to hotel accommodations. The year 1983 also witnessed a substantial increase in the supply and awareness of budget hotels. Budget hotels have experienced tremendous growth in the United States and are becoming a major factor in the Canadian market. However, the following warning from Laventhol & Horwath's *U.S. Economy Lodging Industry* should be noted:

"It is very easy to enter the economy business: The development time is short, as is the construction time. Moreover, the initial capital requirement is small: between $2 million and $3 million [U.S.] for a typical 100-unit facility, including land. Still, it is hard to grow strong financially and gain a good share of the market without both a good start and adequate resources. An economy chain entering the industry today can get lucky with one property in an excellent location. To grow, however, the chain needs to find more sites, and without careful analysis, site selection becomes little more than a crapshoot. This is exactly how the industry started and has grown, and why there are so many chains and marginal facilities. However, it will not continue to expand this way."

Another major factor impacting the lodging industry is the current method for financing upgrading, expansion or new development. Governments in general have become increasingly aware of the potential of tourism and are allocating more money to promotion and also to financing assistance. The traditional 75 to 85 percent debt/15 to 25 percent equity ratio is no longer being used; lenders now require more equity. An increasingly popular method of raising the equity is by way of a limited partnership, usually stressing the tax advantages. While we believe this approach to be ideally suited to raising the equity for hotel projects, we are very concerned that some ill-conceived projects being offered to the public will not only result in losses to investors, but will have a severe negative impact on the overall hotel industry.

On a more positive note, cooperative marketing efforts between all sectors of the tourism industry have become evident in the last year. These bode well for the future and hopefully will continue as the overall demand increases.

John Burt
Laventhol & Horwath
Toronto

From the United States

The United States lodging industry experienced a transitional year in 1983. The first half of the year was a continuation of the declining occupancies experienced since the first quarter of 1980, while the second half of the year produced the long-awaited turnaround in room night demand. For most industry segments, this recovery during the second half was strong enough to offset the occupancy declines recorded earlier in the year, thereby producing year-end results above those reported in 1982.

The national occupancy rate for 1983 was 65.2 percent, a 0.6 percent rise from 1982. This is the first time since 1979 that the U.S. lodging industry has reported year-end increases in occupancy compared with the preceding year's results. Sharp contrasts were evident, however, among the various regional sectors. Properties in the Southeast experienced the largest increases, while properties located in the Northeast and North Central areas reported moderate increases. The difficulties faced by hoteliers in the South Central region continued—the year-end occupancy rate of 59.8 percent was almost 8 percent lower than 1982 levels. In addition, room sales (charges) per occupied room were also below 1982 levels in this region, causing total sales to drop more than 7 percent.

First quarter results for selected segments of the U.S. lodging industry are presented on the table that accompanies these comments. As shown, increasing occupancies are being reported in most of the breakdowns analyzed, with only resort and Southeastern properties currently experiencing reduced room night demand. These numbers may be somewhat deceiving as these two segments reported unusually high occupancies during the first quarter of 1983. Modest increases in room rates are also being reported throughout the industry. As occupancies and room rates both climb, significant increases in total sales are being reported throughout the industry, with some segments reporting sales increases in excess of 15 percent.

With the U.S. economy continuing to exhibit fairly rapid growth, the short-term outlook for the lodging industry is very bright. Industrial production is on the rise, and corporate profits are at their highest levels in a number of years. The positive economic environment, when viewed in conjunction with the increased occupancies being reported by most segments of the industry, indicates that the revival in room night demand will continue to spread throughout the industry. In addition, healthy increases in room rates are expected. Consumer price sensitivity should decline as corporations realize larger profits and individuals have more discretionary income. These factors will work together to produce sizable increases in total revenue and larger profit margins. The results for 1983 and the projections for 1984 are as follows:

	1983	1984	Percent Change
Total industry revenue (in billions)	$29.7	$33.4	12.5%
Occupancy rate	65.2%	67.5%	3.5%
Average room rates	$51.90	$54.50	5.0%

Saul F. Leonard
Laventhol & Horwath
Los Angeles

United States:
Year to Date Trend Report (as of March 1984)

	Sales Percent Change				Occupancy Percent		Double Occupancy Percent		Room Sales Per Occupied Room		Total Sales Per Occupied Room	
	Total	Rooms	F&B	Other	MAR	% Chg	MAR	% Chg	MAR	% Chg	MAR	% Chg
Total	9.5	9.4	9.3	12.8	63.3	1.4	46.3	−5.7	$57.15	6.1	$ 87.51	6.3
Region:												
Northeast	14.3	15.5	12.5	9.8	62.6	6.3	32.5	−3.0	$76.73	10.0	$113.89	8.9
Southeast	5.4	4.3	5.2	18.4	71.0	−4.8	72.6	−6.7	62.74	8.4	97.66	9.6
North Central	16.9	17.3	15.3	22.3	56.8	7.6	34.6	0.6	43.77	5.9	73.03	5.5
South Central	5.7	5.4	6.3	4.6	59.0	0.9	35.6	−1.1	49.08	1.2	73.48	1.4
West	10.3	10.2	11.3	5.0	68.5	2.9	45.1	−4.4	54.87	6.5	81.66	6.6
Affiliation:												
Chain	9.8	9.9	9.0	11.9	63.9	1.8	42.9	−6.9	$56.40	6.2	$ 84.84	6.1
Independent	8.9	7.5	10.3	15.7	61.3	0.3	57.8	−2.2	59.91	5.9	97.40	7.2
Location:												
Center City	12.9	12.9	13.3	11.7	59.9	3.8	38.0	−1.6	$68.75	7.2	$107.00	7.2
Suburban	8.2	9.2	5.7	11.6	60.3	2.6	35.4	−1.9	46.13	3.6	70.39	2.7
Highway	5.5	5.8	4.2	7.3	65.4	0.2	54.9	−11.5	38.99	4.4	51.78	4.1
Airport	7.1	7.0	7.8	3.8	69.7	1.3	26.8	−8.8	51.73	4.8	79.61	4.8
Resort	8.3	6.9	8.2	20.9	67.4	−2.5	86.4	−3.1	77.50	8.1	127.00	9.4
Size:												
Under 150 Rooms	6.7	7.0	6.0	4.6	63.5	2.4	56.5	−2.8	$37.96	3.6	$ 49.83	3.4
150 to 300 Rooms	7.0	7.8	5.2	6.8	62.8	0.3	42.8	−6.1	48.90	5.3	73.30	4.5
300 to 600 Rooms	7.1	6.3	7.4	14.0	61.9	0.8	47.0	−5.1	64.69	4.6	103.75	5.4
Over 600 Rooms	15.2	14.6	15.8	16.9	65.5	2.8	45.0	−7.4	79.02	8.8	126.08	9.3
Type:												
Hotel	11.0	10.5	11.0	15.1	63.6	2.9	43.7	−1.8	$69.75	5.8	$113.58	6.2
Motor Hotel	6.6	7.6	4.0	4.4	63.7	−1.1	50.3	−10.3	44.86	6.2	61.73	5.3
Economy	3.6	3.8	3.0	−4.1	59.8	4.0	52.7	−4.0	28.41	1.3	30.16	1.1
City:												
Boston	13.7	13.4	14.6	10.6	56.8	6.8	35.0	−1.4	$62.66	6.4	$105.92	6.7
Cincinnati	9.7	7.2	15.4	−6.2	42.6	0.5	21.6	6.9	36.41	5.8	60.77	8.2
Cleveland	20.7	25.4	13.0	29.4	47.5	13.9	17.7	−35.4	42.47	10.3	74.00	6.1
Dallas	22.2	19.7	26.8	31.4	65.4	11.4	36.0	—	51.78	1.1	77.73	3.2
Detroit	22.5	24.2	20.4	18.4	59.9	9.7	37.8	−1.6	43.50	7.6	74.71	6.2
Orlando	−5.8	−5.2	−9.1	−1.1	76.2	−14.8	108.4	−7.0	47.09	9.5	62.89	8.8
Houston	0.7	1.1	0.7	−3.8	54.4	1.9	29.0	−2.4	49.30	−1.3	78.56	−1.7
Indianapolis	9.9	14.1	−0.3	9.9	56.4	9.3	29.7	6.1	41.62	4.1	57.83	0.3
Washington, D.C.	13.6	14.3	11.4	22.1	64.9	8.3	35.4	−0.8	68.97	7.2	117.08	6.6
New Orleans	9.2	8.3	10.8	10.5	59.7	−10.0	45.9	−9.5	68.15	5.7	103.63	6.5
New York City	17.3	18.5	15.3	11.9	66.5	8.0	32.4	−8.2	92.24	12.0	130.01	10.9
Philadelphia	−4.9	−5.6	−4.8	0.1	48.5	−10.4	21.6	14.9	52.01	5.0	82.03	5.7
Pittsburgh	11.0	13.9	4.6	16.7	63.2	9.7	24.6	12.3	45.23	2.6	65.64	—
Portland	11.9	13.2	9.0	−1.1	52.0	7.2	54.8	2.2	40.36	4.8	53.65	3.7
San Antonio	7.7	6.7	13.2	−4.9	69.0	0.7	43.5	−0.9	45.96	2.7	63.72	3.6
San Diego	17.0	15.0	22.4	−4.9	78.9	4.0	55.3	−4.8	60.91	8.4	86.24	10.4
Seattle	14.9	17.2	10.4	23.7	57.3	8.3	37.4	3.9	48.02	7.4	87.65	5.3
St. Louis	18.7	20.0	15.5	24.2	52.6	11.7	31.7	3.3	47.99	7.8	79.17	6.6
Tampa	15.7	14.9	19.7	5.6	71.2	−0.4	67.0	−5.9	57.23	13.5	80.25	14.3
Twin Cities	10.1	13.7	5.7	12.3	62.4	9.7	40.7	4.1	48.42	3.5	90.56	0.2

THE WORLDWIDE LODGING INDUSTRY

by Randell A. Smith
Research and Development Division
Laventhol & Horwath

Introduction

In December 1983, Horwath & Horwath International (HHI) distributed over 2,500 questionnaires to hotels around the world. More than 700 of these were completed and processed by the Research and Development Division of Laventhol & Horwath, the HHI member firm in the United States. After careful review for reasonableness and accuracy, 666 questionnaires were selected for use in compiling the data for this report.

This 14th edition of *Worldwide Lodging Industry* conforms closely to the guidelines first used in the 1982 edition of this publication. The data are presented in five sections, each covering a different region of the free world. Together these sections form the 1984 edition of *Worldwide Lodging Industry*. Table 1 illustrates the various sections and the respective geographic areas they cover.

This study presents information covering the five major regions as well as the 14 subregions. If the data permit, we will expand the subregional breakdowns in future years to provide contributors with comprehensive information that more closely reflects the operating characteristics of hotels in their respective areas. For example, initially we intended to expand the Latin American region into three subregions; however, participation from hoteliers in Central and South America was insufficient to allow separate analysis of these two subregions. Whenever warranted, we have undertaken more detailed analysis. For the first time, this year's study graphically presents occupancy rates by subregion for the past two years.

As in previous editions of this report, medians are shown for most amounts and ratios, while arithmetic means are used in selected schedules. The terminology and account titles used are based on the seventh revised edition of the *Uniform System of Accounts for Hotels*. An explanation of the terms and bases used is given in the Appendix on page 104.

Table 1

Section	Region and Subregions
I	Africa and the Middle East (Region I)
	Northern Africa
	Southern Africa
	Middle East
II	Asia and Australasia (Region II)
	Asia
	Far East
	Pacific Basin
III	North America (Region III)
	Canada
	United States
	Caribbean
IV	Europe (Region IV)
	Continental Europe
	Scandinavia
	United Kingdom
V	Latin America (Region V)
	Mexico
	Central and South America

All amounts in this report are in 1983 U.S. dollars converted at the year-end exchange rate, which was obtained from the International Monetary Fund. A list of the countries with hotels that contributed to this study, along with the currency conversion factors used, is provided in an appendix at the end of each regional report. These appendices can be used by the reader to identify the subregional country affiliations as well as to convert the reported amounts and ratios into the appropriate currencies. The reader is again cautioned that fluctuations in currency values can have a significant impact on the U.S. dollar values presented in this report. The continuing strength of the U.S. dollar should be considered when analyzing the amounts in this report or comparing them to the amounts presented in the 1983 edition. To make this comparison easier for the analyst, each appendix shows the percent change from 1983 to 1984.

Dollar amounts are shown per available room to eliminate differences due to the size of the hotels. Ratios to total sales and to room sales are used wherever appropriate. Except where noted, all amounts and ratios are medians and do not necessarily add to the totals shown. Each line item has been analyzed separately, and the medians are based on the information submitted for that line item only, since all hotels did not report for each line. Comparisons can be made line by line with the information in the reader's report. The amounts and ratios should not be considered standards for any type of property or

for any country or region; they should be used only as guidelines for comparison with the operating results of a specific property. HHI does not attempt to set or conform prices or operating ratios for the industry.

Profile of contributors

The age, size and other characteristics of the typical contributor to this study, as determined by various measures of central tendency such as the mean, median and mode, are shown in Exhibit 1. Overall, the contributors represent a broad sample of the industry, but as shown in this exhibit, the typical contributor is particularly representative of the major segments of the industry.

The highlights of the analysis of operating results are presented in Exhibit 2. While several of the industry's key performance measures declined again in 1983, these declines were neither as severe nor as widespread as those reported during the previous year. Room occupancy declined 1.2 percent for the year; however, total revenue increased 4 percent on a per room basis, largely due to increased room rates and more efficient overall operating procedures instituted during 1983. More efficient operation enabled the reporting properties to increase income before income taxes more than 25 percent on a per room basis.

The source and distribution of the 1983 worldwide lodging industry dollar compared with the previous year are shown in Chart 1. To accurately reflect the impact stemming from different size properties, the dollar is based on weighted means. As the chart illustrates, the portion of revenue generated by each of the sources remained relatively stable in 1983, with only slight declines in food and beverage revenues and a slight increase in room revenue.

For the first time this year, management fees are presented as a separate category under expenditures. Previously these fees were included in administrative and general expenses. For comparison purposes, last year's figures have been restated to make them compatible with this new format. For the second consecutive year, sharp increases were reported in payroll and related expenses; overall they rose 4.2 percent from 1982 to 1983. Offsetting these increases were moderate declines in interest and rent expenditures. Bottom line performance was only slightly below 1982 levels, as net income before income taxes was 8.6 percent in 1983, compared with 8.7 percent in 1982.

Exhibit 1
General Profile of Typical Contributor Based on Various Measures of Central Tendency—All Hotels

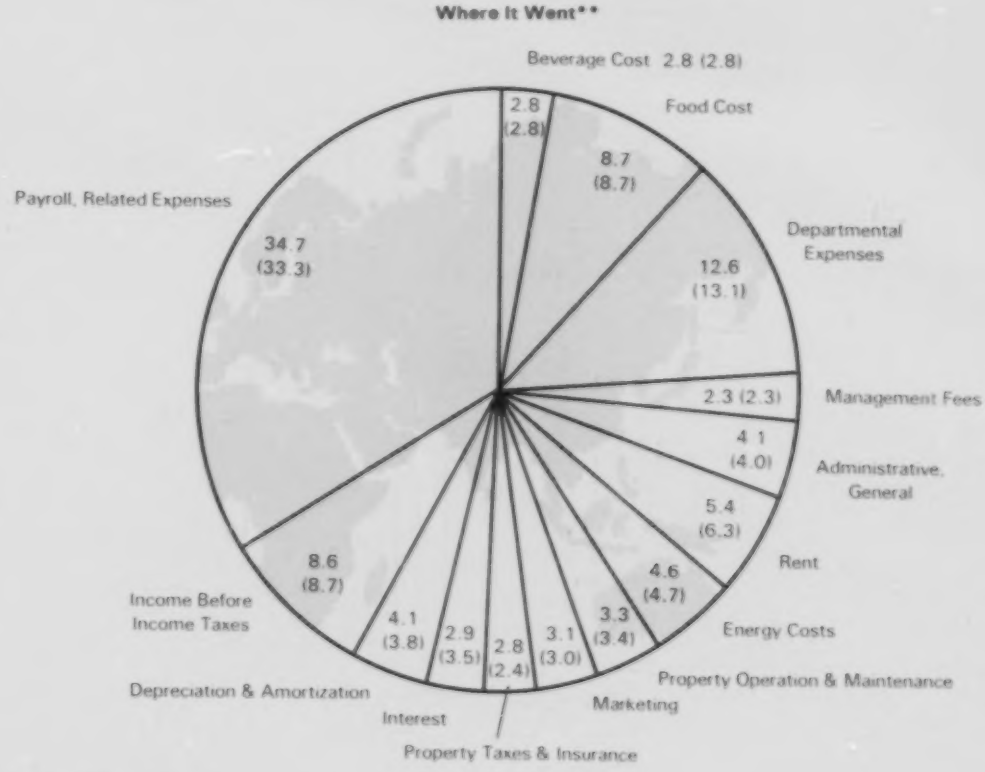
Criteria	Category of Typical Contributor
Age	Built after 1969
Size	150–299 rooms
Occupancy	60%–69%
Average Rate	$40–$54.99
Restaurant Operation	Operated a restaurant in which the volume of food and beverage sales is between 70% and 80% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before income tax in 1983

Exhibit 2
Highlights* All Hotels

- Total revenue increased 4.0 percent on a per room basis.
- Room occupancy declined 1.2 percent to 64.6 percent compared with 65.4 percent in 1982.
- The average daily rate per occupied room was $49.73 compared with $46.41 in 1982, an increase of 7.2 percent.
- Payroll and related expenses per room decreased 26.5 percent from $10,469 to $7,693
- Income before income taxes increased 25.7% on a per room basis.

*Based on medians.

Chart 1: International Hotels
Percentage Distribution of Revenue and Expenses



*Including telephone
**1982 percentage in parentheses

Market data

For the first time in the history of this analysis, the percentage of guests from domestic sources exceeded that of foreign guests. With the exception of 1982, the percentage of domestic travelers has slowly increased every year since 1978. The percentage of repeat business remained fairly constant, at approximately 40 percent, when compared to 1982. More guests made advance reservations in 1983, with 84.1 percent of all travelers preferring confirmed bookings. For the fifth consecutive year, advance reservations made directly to the hotel increased. Tourist travel was off 10 percent for the year while business travel was up slightly. A detailed analysis of market data is presented in Exhibit 3.

Exhibit 3
Market Data*
Five-Year Trend—All Hotels

	1983	1982	1981	1980	1979
Source of Business					
Domestic	51.3%	42.2%	47.1%	46.1%	42.8%
Foreign	48.7	57.8	52.9	53.9	57.2
Percentage of Repeat Business	40.3%	39.1%	37.8%	40.0%	38.2%
Composition of Market					
Government Officials	6.2%	5.5%	6.8%	6.1%	6.2%
Businessmen	42.1	41.5	44.6	42.0	40.5
Tourists	27.0	30.0	24.2	30.7	30.9
Conference Participants	13.2	13.7	13.5	10.8	12.8
Other	11.2	9.2	10.9	10.4	9.6
Percentage of Advance Reservations	84.1%	81.4%	83.4%	80.0%	79.3%
Composition of Advance Reservations					
Direct	39.6%	36.0%	35.5%	35.8%	33.1%
Reservation Systems	28.9	31.6	26.5	27.4	27.1
Travel Agents & Tour Operators	27.2	27.8	26.8	27.7	28.5
Other	4.3	6.4	11.2	9.6	11.3
Ratio of Travel Agent Commissions to Room Sales	1.3%	1.2%	1.0%	1.8%	1.8%

*Arithmetic mean.

The source of business and composition of the market for the five regions are presented in Exhibit 4. Reflecting the overall increase in the percentage of domestic travelers in 1983, hotels in four of the five regions reported significant jumps in the percentage of local travelers. The largest increase was reported in North America where domestic travel was up over 36 percent from 1982. Latin America was the only region where a larger portion of guests arrived from foreign countries. Exhibit 4 also shows the composition of the market. As expected, every region indicated that the highest percentage of hotel guests were there for business, followed by people traveling for pleasure.

Exhibit 5 displays the nationality of guests by region for 1983. Since this data can be used as a guide to the preferred destinations of the citizens of the countries listed, this information should be particularly useful in developing marketing strategies. Hotels within a specific region may want to reinforce the attractiveness of their area to nationalities who already are frequent visitors, or market their area to those people who are less familiar with that specific region.

Little change was displayed in the rankings in Exhibit 5. Americans were again the most frequent travelers in the world in

Exhibit 4
Market Data*
All Hotels

	All Hotels	Africa and the Middle East	Asia and Australasia	North America	Europe	Latin America
Source of Business						
Domestic	51.3%	38.0%	35.4%	79.2%	45.9%	51.7%
Foreign	48.7	62.0	64.6	20.8	54.1	48.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Repeat Business	40.3%	35.4%	41.9%	45.7%	38.8%	33.9%
Composition of Market						
Government Officials	6.5%	11.7%	3.7%	6.9%	5.5%	2.5%
Businessmen	42.1	44.3	43.8	32.7	46.4	49.2
Tourists	27.0	18.7	31.2	30.5	25.7	34.2
Conference Participants	13.2	5.6	6.5	21.0	14.7	9.3
Other	11.2	19.7	14.8	8.9	7.7	4.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Advance Reservations	84.1%	79.6%	81.7%	83.3%	89.5%	71.4%
Compositions of Advance Reservations						
Direct	39.6%	43.2%	24.8%	41.4%	42.9%	39.6%
Reservation Systems	28.9	28.5	37.9	31.3	24.0	36.4
Travel Agents & Tour Operators	27.2	21.8	33.8	15.1	27.8	31.4
Other	4.3	6.5	3.5	2.2	5.3	2.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Ratio of Travel Agent Commissions to Room Sales	1.3%	0.8%	1.0%	1.3%	1.4%	1.6%

*Arithmetic mean.

1983, constituting over 25 percent of all hotel guests. As shown, hotels in each of the five regions reported that Americans represent a significant portion of their guests. With the continued strength of the U.S. dollar relative to other currencies, it is not surprising that Americans took advantage of the values that could be found when traveling abroad in 1983. The British maintained second place, and Germans regained the third position they had held prior to 1982.

Exhibit 5

Nationality of Guests—1983*

All Hotels

	Rank							
	1983	1982	All Hotels	Africa and the Middle East	Asia and Australasia	North America	Europe	Latin America
American	1	1	26.7%	19.0%	14.3%	57.9%	17.6%	28.4%
British	2	2	11.1	11.7	7.3	1.2	18.7	1.8
German	3	4	8.5	7.7	4.1	0.7	15.4	3.0
Canadian	4	3	8.3	1.6	1.7	31.2	1.9	2.9
Scandinavian	5	5	7.2	1.3	0.8	0.3	16.7	0.4
Middle Eastern	6	8	5.9	22.0	2.3	0.3	4.0	0.4
Other European	7	6	5.7	5.7	5.6	1.0	8.6	3.4
Other Asian	8	11	4.9	4.8	22.4	0.4	1.8	0.3
French	9	7	4.5	8.2	3.3	1.7	5.2	1.7
Japanese	10	9	4.2	3.2	15.4	1.1	2.8	0.8
Australasian	11	15	3.6	2.5	18.4	0.3	1.0	0.3
South American	12	10	2.9	0.6	0.5	2.1	0.9	33.2
Italian	13	14	2.3	4.0	2.1	0.5	2.8	1.5
Other African	14	13	1.6	1.2	0.6	0.2	1.0	0.1
Mexican	15	12	1.2	0.2	0.6	0.4	0.2	15.5
Central American	16	17	0.8	0.3	0.3	0.6	0.6	6.0
North African	17	16	0.6	6.0	0.3	0.1	0.8	0.3

*Arithmetic mean.

REGION I: AFRICA AND THE MIDDLE EAST

Profile of contributors

Using the various measures of central tendency, the typical contributor from Africa and the Middle East is identified and defined in Exhibit I-1. The subregions detailed in this section are Northern Africa, Southern Africa and the Middle East. The highlights of the analysis of operating results are presented in Exhibit I-2. Slight increases in occupancy coupled with moderate jumps in room rates produced an 8.3 percent increase in total revenue; however, these increases in revenue were not converted into bottom line profits since net income before income taxes fell 25 percent on a per room basis.

Chart 2 presents the source and distribution of the dollar for properties reporting from Africa and the Middle East. As shown, revenues generated by food sales and rentals and other income were up sharply over the 1982 figures given in parentheses. On the expenditure side, a 6.6 percent increase in payroll and related expenses was a major factor in the decline in net income before income taxes reported by contributing properties from this region.

While the percentage of guests from foreign sources was again the dominant source of business reported by hotels in the three areas covered in Region I, each region realized an increase in the percentage of domestic travelers. This indicates a continuation of the worldwide trend toward increased domestic travel reported in the 1983 study. Northern Africa is one of the few areas detailed in this analysis in which hoteliers reported that tourists represented the largest portion of hotel guests (47.5 percent). Operators in Southern Africa and the Middle East reported that businessmen generated the most

Exhibit I-1
General Profile of Typical Contributor Based on Various Measures of Central Tendency—
Africa and the Middle East

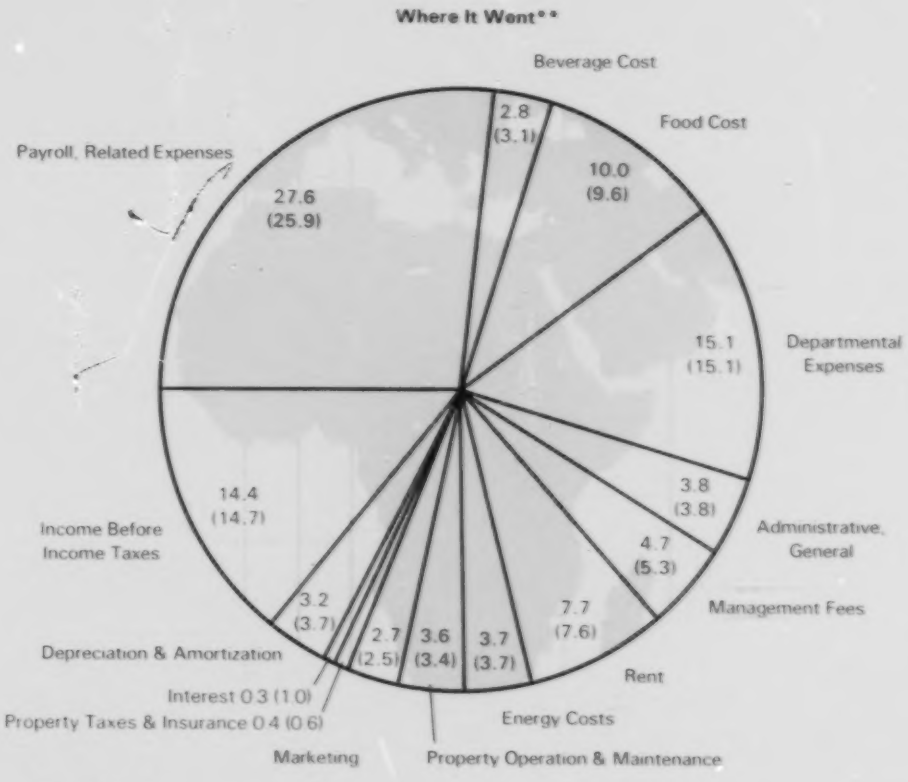
Criteria	Category of Typical Contributor
Age	Built after 1969
Size	150–299 rooms
Occupancy	60%–69%
Average Rate	Over $60
Sales Volume	Over $6 million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is between 75% and 99% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1983

Exhibit I-2
Highlights*
Africa and the Middle East

- Total revenue increased 8.3 percent on a per room basis.
- Room occupancy increased 0.3 percent to 63.2 percent compared with 63.0 percent in 1982.
- The average daily rate per occupied room was $61.89 compared with $57.56 in 1982, an increase of 7.5 percent.
- Payroll and related expenses per room increased from $7,998 to $7,485.
- Income before income taxes fell 25.0 percent on a per room basis, while sales increased 8.3 percent.

*Based on medians.

Chart 2: Africa and Middle East Hotels
Percentage Distribution of Revenue and Expenses**



*Including telephone
** 1982 percentages in parentheses

Exhibit I-3
Market Data*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Source of Business				
Domestic	38.0%	25.0%	29.9%	41.4%
Foreign	62.0	75.0	70.1	58.6
Percentage of Repeat Business	35.4%	32.8%	31.0%	36.8%
Composition of Market				
Government Officials	11.7%	10.3%	8.8%	12.7%
Businessmen	44.3	29.3	44.9	46.1
Tourists	18.7	47.5	18.0	15.0
Conference Participants	5.6	7.7	6.9	5.0
Other	19.7	5.2	21.4	21.2
Percentage of Advance Reservations	79.6%	91.0%	86.2%	76.5%
Composition of Advance Reservations				
Direct	39.6%	31.2%	37.0%	47.3%
Reservation Systems	28.9	17.2	24.0	29.6
Travel Agents & Tour Operators	27.2	50.1	26.8	16.8
Other	4.3	1.5	10.2	6.3
Ratio of Travel Agent Commissions to Room Sales	0.8%	2.1%	0.4%	0.8%

*Arithmetic mean.

Exhibit I-4
Nationality of Guests—1983*
All Hotels—Africa and the Middle East

	Rank		Total Region	Northern Africa	Southern Africa	Middle East
	1983	1982				
Middle East	1	1	22.0%	8.8%	0.9%	28.3%
American	2	3	19.0	25.7	11.2	19.9
British	3	5	11.7	6.5	13.6	11.9
French	4	2	8.2	15.3	18.1	5.1
German	5	7	7.7	4.8	10.6	7.4
Other African	6	8	6.0	1.2	27.5	1.9
Other European	7	6	5.7	8.5	5.9	5.3
Other Asian	8	10	4.8	2.2	0.7	6.0
Italian	9	9	4.0	8.7	4.2	3.5
Japanese	10	11	3.2	4.7	1.1	3.5
Australasian	11	14	2.5	1.2	1.1	2.9
Canadian	12	13	1.6	4.2	2.0	1.3
Scandanavian	13	12	1.3	1.8	1.1	1.3
North African	14	8	1.2	2.2	1.3	1.0
South American	15	15	0.6	2.1	0.4	0.4
Central American	16	16	0.3	1.3	0.2	0.2
Mexican	17	17	0.2	0.8	0.1	0.1

*Arithmetic mean.

demand for accommodations. The full detail of market data is provided in Exhibit I-3.

Exhibit I-4, which shows the nationality of guests by subregion, also can be useful in developing marketing strategies. For example, this information shows that Americans are a significant segment of the market in each area in this region. Therefore, hoteliers in this region may want to structure their marketing efforts to attract more travelers from the United States.

Performance measurements

Declines in overall performance measures were widespread throughout most of Region I. Contributing hotels in Southern Africa and the Middle East reported very difficult years, registering declines in every measurement criterion shown in Exhibit I-5. Southern African properties had a particularly rough time, reporting a 39.5 percent drop in the number of times the average rate was earned and a net loss before income tax. After reporting declines in 1982, Northern African properties experienced significant increases in the overall measures during 1983, with total sales per available room increasing 35 percent. A detailed comparison of sales and profitability is presented in Exhibit I-5.

Occupancy and average rate

As shown in Exhibit I-6, Northern African and Middle Eastern properties reported increases in the occupancy rate from 1982 to 1983. The 6.8 percent rise in room night demand recorded by Northern African properties was one of the largest jumps reported for any area covered in this analysis. Viewing this in conjunction with the 2.2 percent rise in room rates explains why these properties performed so well in 1983. Conversely, Southern African properties reported significant declines in both occupancy and the average rate, while those located in the Middle East reported only a slight increase in occupancy. Chart 3 provides a graphic comparison of 1982 and 1983 occupancy rates for the Region I geographic breakdowns.

Exhibit I-5

Comparison of Sales and Profitability* — Africa and the Middle East

	Total Region		Northern Africa		Southern Africa		Middle East	
	1983	1982	1983	1982	1983	1982	1983	1982
Amounts Per Available Room								
Total Sales	$30,542	$28,202	$37,834	$28,017	$17,950	$18,548	$32,918	$34,202
Income Before Fixed Charges	6,269	6,802	11,522	10,056	1,988	4,088	6,962	8,611
Net Income** or (Loss)	$ 2,241	$ 2,987	$ 4,817	$ 2,435	$ (198)	$ 485	$ 3,313	$ 4,760
Ratio of Income Before Fixed Charges								
Room Sales	45.7%	51.2%	78.4%	68.9%	31.0%	48.3%	45.7%	53.6%
Total Sales	2 .3	25.8	31.9	30.4	16.1	17.2	21.3	24.7
Number of Times Average Rate Was Earned	112	118	216	166	69	114	92	107
Increase (Decrease)	(5.1)%		30.1%		(39.5)%		(14.0)%	

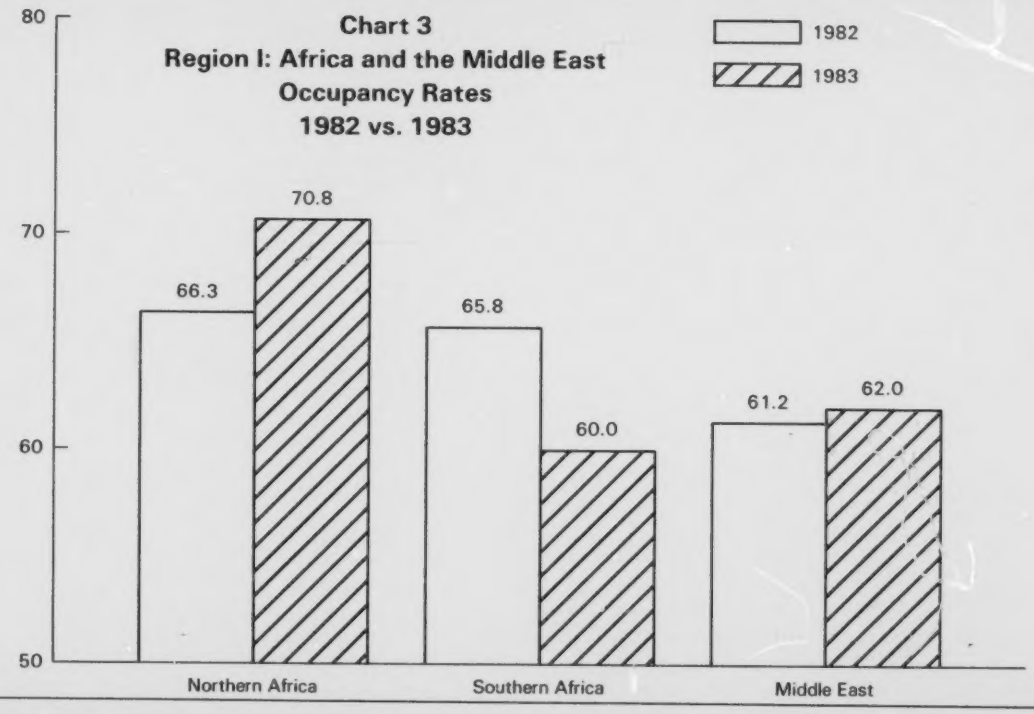
*All figures are medians.
**Before income tax

Exhibit I-6

Occupancy, Double Occupancy, Room Rates* — Africa and the Middle East

	Total Region		Northern Africa		Southern Africa		Middle East	
	1983	1982	1983	1982	1983	1982	1983	1982
Annual Room Occupancy	63.2%	63.0%	70.8%	66.3%	60.0%	65.8%	62.0%	61.2%
Number of Guests Per Room	1.22	1.22	1.39	1.41	1.27	1.20	1.21	1.18
Average Daily Rate								
Per Room (U.S. Dollars)	$61.89	$57.56	$46.85	$45.83	$32.91	$38.45	$68.84	$77.58
Per Guest (U.S. Dollars)	49.67	40.03	37.14	36.48	24.68	33.23	55.14	69.03

*All figures are medians.



Analysis of sales

The composition of sales for Region I is illustrated in Exhibit I-7. While guest room rentals continue to represent the highest contribution to sales for each of the three subregions analyzed, the minor operated departments of Northern African properties generate an unusually high percentage of sales. Interestingly, properties in each of the three subregions reported a higher percentage of food sales in 1983 than in 1982.

Exhibit I-8 shows revenue and expenses for minor operated departments per available room and as ratios to total sales. Properties in Northern Africa reported the highest amounts per available room in each of the three departments shown in this analysis, so it is not surprising these sources accounted for such a high percentage of their revenue in 1983. Overall, the data presented in this exhibit is very consistent with that reported in last year's study.

Exhibit I-7
Composition of Sales*
Africa and the Middle East

	Total Region	Northern Africa	Southern Arica	Middle East
Rooms	44.3%	38.9%	46.7%	45.0%
Food	31.5	33.6	28.2	31.8
Beverage	10.6	9.2	15.9	9.5
Telephone	5.5	4.6	5.3	5.7
Minor Operated Departments	4.2	10.0	2.3	3.2
Rentals & Other Income	4.1	3.7	1.6	4.8
Total	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Exhibit I-8
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Telephone				
Amount Per Available Room				
Sales	$1,665	$3,348	$838	$1,951
Cost of Sales				
Cost of Calls	1,044	2,898	721	1,221
Equipment Rental	57	19	43	69
Total	1,140	2,915	747	1,355
Payroll & Related Expenses	150	76	63	207
All Other Expenses	12	26	5	13
Total Cost & Expenses	1,328	2,954	865	1,613
Net Departmental Income or (Loss)	$ 239	$ 284	$ 54	$ 297
Ratio to Total Sales				
Sales	6.0%	7.9%	5.1%	6.1%
Cost of Sales	4.3	6.5	4.1	4.1
Payroll & Related Expenses	0.6	0.3	0.3	0.6
Minor Operated Departments				
Amount Per Available Room				
Sales	$ 738	$1,240	$430	$ 839
Cost of Sales	188	605	113	161
Payroll & Related Expenses	190	189	65	252
Other Expenses	56	110	36	52
Total Costs & Expenses	392	1,082	187	454
Net Departmental Income	$ 356	$ 466	$249	$ 393
Ratio to Total Sales				
Sales	2.8%	3.1%	2.3%	2.6%
Cost of Sales	0.6	1.5	0.6	0.5
Payroll & Related Expenses	0.8	0.9	0.4	0.9
Rentals & Other Income				
Amount Per Available Room				
Space Rentals	$ 183	$ 76	$ 67	$ 212
Concessions	125	817	102	97
Commissions	51	54	50	51
Other	381	332	92	408
Total Rentals & Other Income	$ 664	$ 803	$243	$ 737
Ratio to Total Sales	2.2%	1.8%	2.1%	2.3%

*All figures are medians and do not necessarily add to totals shown.

Exhibit I-9
Food and Beverage Statistics*
Africa and the Middle East

	Total Region	Northern African	Southern Africa	Middle East
Food Sales—By Facility				
Amount Per Available Room				
Dining Room	$ 5,248	$11,371	$2,934	$5,488
Room Service	811	1,470	362	1,028
Banquet	1,471	1,477	889	1,788
Bar/Lounge	255	413	230	217
Total	$8,417	$12,213	$4,576	$8,521
Ratio to Total Sales				
Dining Room	68.3%	85.3%	72.2%	63.8%
Room Service	10.7	12.1	8.9	11.5
Banquet	19.4	17.1	19.4	19.4
Bar/Lounge	3.3%	4.5%	3.8%	3.2%
Amount Per Seat				
Dining Room	$5,281	$6,000	$2,759	$5,601
Banquet	1,290	1,553	1,285	1,274
Bar/Lounge	545	1,006	235	545
Total	$3,096	$3,503	$2,046	$3,096
Average Check				
Dining Room	$10.49	$ 7.89	$ 6.11	$11.53
Room Service	7.19	6.15	3.94	8.10
Banquet	15.59	15.25	9.83	17.62
Total	$10.81	$ 8.33	$ 6.17	$12.61
Covers Served Per Seat				
Dining Room	517	632	575	436
Banquet	85	96	91	80

*All figures are medians and do not necessarily add to totals shown.

Restaurant operations

Food and beverage statistics for those hotels providing the detail are shown in Exhibit I-9. As in past reports, Middle Eastern properties continue to report considerably higher average sales per customer (average check) than their counterparts in both Northern and Southern Africa. However, because they served fewer people per seat (covers) than hoteliers in the other two subregions, Middle Eastern properties reported total food sales, as an amount per seat, on a par with both Northern and Southern African operations. In addition, the Middle Eastern properties reported total beverage sales per seat that were considerably lower than those of their African neighbors.

Exhibit I-9 (continued)
Food and Beverage Statistics*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Room Service Sales				
Per Occupied Room				
Food	$ 4.41	$ 5.10	$ 1.63	$ 4.89
Beverage	.80	.89	.65	.80
Total	$ 5.15	$ 5.86	$ 1.90	$ 5.72
Per Guest				
Food	$ 3.35	$ 4.39	$ 1.13	$ 3.93
Beverage	.60	.60	.50	.60
Total	$ 4.24	$ 5.00	$ 1.52	$ 4.61
Beverage Sales—By Facility				
Amount Per Available Room				
Dining Room	$1,029	$1,413	$ 916	$ 890
Room Service	176	225	153	179
Banquet	343	150	713	284
Bar/Lounge	1,017	1,411	881	973
Total	$2,583	$2,965	$2,682	$1,992
Ratio to Total Beverage Sales				
Dining Room	39.9%	50.6%	34.0%	37.8%
Room Service	6.4	6.5	6.7	6.2
Banquet	12.3	5.4	22.1	12.3
Bar/Lounge	39.4%	46.5%	34.6%	39.2%
Ratio to Food Sales				
Dining Room	20.0%	20.0%	27.0%	14.2%
Room Service	20.2	17.3	37.4	18.3
Banquet	22.3	10.2	65.2	20.2
Total (Including Bar/Lounge)	36.3%	29.6%	58.6%	15.2%
Amount Per Seat				
Dining Room	$ 980	$1,320	$ 831	$ 965
Banquet	200	188	865	190
Bar/Lounge	2,876	4,901	2,876	2,813
Total	$1,083	$1,497	$1,260	$ 798

*All figures are medians and do not necessarily add to totals shown.

Exhibit I-10
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics* Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Payroll & Related Expenses				
Amount Per Room Cash Payroll	$ 4,937	$ 3,602	$ 3,583	$ 5,662
Net Payroll & Related Expenses**	7,998	6,489	5,353	10,446
Employee Benefits—Ratio to Cash Payroll	77.8%	67.4%	51.9%	84.4%
Cost Per Employee				
Cash Payroll	$ 4,800	$ 2,564	$ 3,515	$ 5,482
Net Payroll & Related Expenses**	9,248	3,847	5,323	10,322
Employment Statistics				
Sales Per Employee				
Rooms	$58,273	$48,584	$34,567	$68,736
Food & Beverage	25,992	26,981	15,916	28,664
Telephone	90,723	142,042	27,339	96,092
Minor Departments	32,347	48,851	13,307	37,425
Total Sales Per Employee	$28,692	$26,134	$16,102	$32,155
Productivity Index				
1983	3.21	5.90	3.22	3.15
1982	3.42	5.52	3.42	3.19
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	23.6	52.1	23.3	23.0
Food & Beverage	47.3	93.2	56.1	45.6
Telephone	2.2	2.3	1.9	2.2
Minor Departments	2.8	1.9	2.3	3.1
Administrative & General	10.0	10.7	8.7	10.4
Marketing—Sales	1.5	2.0	1.0	1.5
Marketing—Other	0.6	***	***	0.6
Property Operation & Maintenance	8.4	12.6	8.7	8.0
Personnel	2.9	2.1	2.3	3.6
House Laundry	5.2	5.7	5.6	4.0
Other	1.9	2.4	2.1	1.6
Total	114.1	144.4	113.9	111.7

*Based on those supplying data. All figures are medians and do not necessarily add to totals shown.
**After credit for service charges.
***Insufficient response.

Payroll and related expenses

Information about payroll, employee benefits and other relevant employment statistics are presented in Exhibit I-10 for reporting properties from Northern Africa, Southern Africa and the Middle East. One important statistic shown in this analysis is the productivity index, which is obtained by dividing total sales by net payroll and related expenses. This index can provide useful data on hotel operating efficiency. Despite an increase of 21.2 percent in the number of full-time equivalent employees per 100 available rooms, Northern African properties reported an increase in the productivity index in 1983. This rise to 5.90 from 5.52 in 1982 is largely the result of substantial increases in total sales. (See Exhibit I-5.)

Undistributed operating expenses

An analysis of the undistributed operating expenses for the three geographic subregions of Region I is presented in Exhibit I-11 on three bases: cost per available room, ratio to room sales and ratio to total sales. For the second consecutive year, properties located in each of the three subregions reported declines in total administrative and general costs, both as ratios to room sales and as ratios to total sales. In addition, Middle Eastern hoteliers reported declines both in marketing and in property operation and maintenance costs, while properties in all three areas experienced sharp increases in energy costs as a ratio to total sales.

Exhibit I-11
Analysis of Undistributed Operating Expenses*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Administrative & General				
Cost Per Available Room				
Payroll & Related Expenses	$1,596	$1,322	$1,031	$1,697
Other	1,178	1,213	1,178	1,126
Total	$2,947	$2,846	$2,918	$2,978
Ratio to:				
Room Sales	22.3%	19.5%	27.3%	20.9%
Total Sales — 1983	9.5	6.4	12.7	9.2
Total Sales — 1982	10.2	7.5	14.4	9.5
Increase (Decrease)	(6.9)%	(14.7)%	(11.8)%	(3.2)%
Marketing				
Cost Per Available Room				
Payroll & Related Expenses	$ 222	$ 123	$ 84	$ 296
Other	745	1,387	414	745
Total	$ 962	$1,506	$ 463	$1,020
Ratio to:				
Room Sales	8.0%	10.5%	5.9%	8.0%
Total Sales — 1983	3.4	4.0	2.7	3.2
Total Sales — 1982	3.1	3.7	2.5	3.3
Increase (Decrease)	9.7%	8.1%	8.0%	(3.0)%
Energy Costs				
Cost Per Available Room	$ 984	$ 831	$1,188	$ 941
Ratio to:				
Room Sales	8.6%	6.3%	15.5%	7.5%
Total Sales — 1983	3.7	2.4	8.3	3.5
Total Sales — 1982	3.7	2.1	6.5	3.3
Increase (Decrease)	—	14.3%	27.7%	6.1%
Property Operation & Maintenance				
Cost Per Available Room				
Payroll & Related Expenses	$ 850	$ 703	$ 533	$1,027
Other	1,043	1,143	785	1,064
Total	$1,853	$1,853	$1,356	$2,028
Ratio to:				
Room Sales	15.5%	14.0%	15.9%	15.5%
Total Sales — 1983	6.5	5.6	6.6	6.6
Total Sales — 1982	6.6	5.5	6.9	6.7
Increase (Decrease)	(1.5)%	1.8%	(4.3)%	(1.5%)

— No change.
*All figures are medians and do not necessarily add to totals shown.

Exhibit I-12
Energy Costs Per Occupied Room Per Day*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Fuel	$1.27	$2.01	$0.82	$1.35
Electricity	2.56	1.91	3.66	2.56
Water	0.51	0.08	0.57	0.65
Steam	0.20	0.16	0.12	0.24
Credit for Sale of Energy	0.26	0.49	0.11	0.26
Net Energy Cost—1983	4.40	3.47	5.25	4.50
Net Energy Cost—1982	$4.89	$3.04	$6.13	$4.53
Increase (Decrease)	(10.0)%	14.1%	(14.4)%	(0.01)%

*All figures are medians and do not necessarily add to totals shown.

Exhibit I-13
Method of Payment for Hotel Services*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Cash	28.8%	29.3%	29.7%	28.5%
Credit Card	20.2	7.5	16.7	22.3
Travel Agents & Tour Operators	15.7	42.2	14.6	13.4
All Other Credit	35.3	21.0	39.0	35.8

*Based on arithmetic mean.

Exhibit I-14
Credit Card Commission
Annual Cost Per Occupied Room*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Annual Cost Per Occupied Room	$175	**	$46	$182
Ratio to Total Sales	0.3%	1.0%	0.2%	0.4%

*All figures are medians.
**Insufficient response.

Exhibit I-12 shows that energy costs per occupied room per day varied widely among the reporting properties in the three subregions, ranging from $3.25 for Southern African properties to $3.47 for properties located in Northern Africa. Southern African properties still reported the highest costs for energy among the three subregions even though their energy costs dropped 14.4 percent from those reported in 1982.

Credit and collection data

The method of payment for hotel services varied among the three regions depending on the destination of the guest, according to Exhibit I-13. People traveling to Northern Africa were inclined to let their travel agents or tour operators handle their payment. Over 42 percent of all hotel bills for Northern African properties were handled in this manner. This may be partly the result of the large percentage of tourists who visited hotels in this area during 1983. Conversely, only 7.5 percent of the travelers to Northern Africa paid with a credit card. The annual cost per occupied room for credit card commissions, shown in Exhibit I-14, reflects the difference in method of payment. Also shown are credit card costs as a ratio to total sales.

Fixed charges

Exhibit I-15 provides a comparison of the median amounts per available room and ratios to total sales of fixed charges—which include rent, property taxes, insurance on building and contents, interest and depreciation. Properties in Northern Africa and the Middle East reported declines in fixed charges as ratios to total sales, while properties located in Southern Africa reported a substantial rise in these costs.

Balance sheet statistics

The typical liquidity ratios, those used to measure the extent to which a company can cover current obligations, are listed for Region I in Exhibit I-16. Properties in each area reported moderate declines in their current position from 1982 to 1983.

Exhibits I-17 and I-18 are detailed statements of income and expenses presented as median amounts per available room and ratios to total sales for the region and subregions. These analyses include management fees as a separate line item.

Exhibit I-15
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Amount Per Room				
Rent	$3,232	$1,040	$3,163	$5,378
Property Taxes	184	173	222	189
Insurance on Buildings & Contents	105	294	75	88
Interest Expense	187	88	221	154
Depreciation & Amortization	949	1,042	620	988
Total Fixed Charges	$1,595	$1,742	$3,161	$1,570
Ratio to Total Sales—1983	5.9%	6.3%	17.6%	5.1%
Ratio to Total Sales—1982	6.5	9.9	9.9	5.5
Increase (Decrease)	(9.2)%	(36.4)%	77.8%	(7.3)%

*All figures are medians and do not necessarily add to totals shown.

Exhibit I-16
Balance Sheet Statistics—Liquidity Ratios*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Current Position:				
Ratio of Current Assets to Current Liabilities	$ 1.22	$ 1.23	$ 1.21	$ 1.27
Accounts Receivable:				
Amount Per Room	$2,223	$4,001	$1,761	$2,510
Ratio to Total Sales	11.0%	11.2%	11.4%	14.0%
Food Inventory				
Amount Per Room	$ 279	$ 403	$ 144	$ 297
Annual Turnover	15.2	17.2	13.8	15.2
Beverage Inventory				
Amount Per Room	$ 114	$ 535	$ 150	$ 76
Annual Turnover	4.9	1.8	5.0	5.3
Operating Supplies Inventory				
Amount Per Room	$1,064	$1,390	$ 645	$1,093

*All figures are medians.

Exhibit I-17
Statement of Income and Expenses
Median Amounts
Per Available Rooms*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Rooms				
Sales	$13,116	$12,679	$7,886	$15,900
Departmental Expenses				
Payroll & Related Expenses	1,582	1,103	858	1,942
Other	1,183	1,771	681	1,191
Total	2,771	2,712	1,485	3,000
Departmental Income	9,598	9,283	6,401	12,562
Food & Beverage				
Sales				
Food	8,417	12,213	4,516	8,521
Beverage	2,583	2,965	2,682	1,992
Total	11,153	15,484	7,257	11,153
Cost of Sales				
Food	2,733	3,799	1,637	2,640
Beverage	632	1,173	632	397
Total	3,579	5,497	2,420	3,516
Gross Profit	7,605	10,251	4,729	7,605
Public Room Sales	89	116	58	81
Other Income	204	320	104	305
Gross Profit & Other Income	8,014	10,571	4,835	8,068
Departmental Expenses				
Payroll & Related Expenses	3,483	2,529	1,963	4,357
Other	1,504	2,637	880	1,427
Total	5,075	4,954	2,901	5,811
Departmental Income	2,439	6,581	1,428	2,146
Telephone Departmental Income	239	284	54	297
Net Income From Minor Operated Departments	356	466	249	393
Rentals & Other Income	664	803	243	737
Gross Income	16,346	19,323	9,431	16,908
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	1,595	1,322	1,031	1,697
Other	1,178	1,213	1,178	1,126
Total	2,947	2,846	2,918	2,978
Marketing	962	1,506	463	1,020
Energy Costs	984	831	1,188	941
Property Operation & Maintenance	1,853	1,853	1,356	2,028
Total Undistributed Expenses	7,049	7,041	5,198	7,413
Income Before Management Fees	6,664	12,314	2,743	8,069
Management Fees	1,674	2,690	846	1,794
Income Before Fixed Charges	6,269	11,622	1,988	6,962
Property & Insurance	288	467	297	276
Income Before Interest and Depreciation	$3,605	$5,298	$ 623	$4,494

*All figures are medians and do not necessarily add to totals shown; all amounts in $U.S.

Exhibit I-18
Ratio to Total Sales*
Africa and the Middle East

All ratios are based on total sales except those of the rooms and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

	Total Region	Northern Africa	Southern Africa	Middle East
Rooms				
Sales	100.0%	100.0%	100.0%	100.0%
Departmental Expenses				
Payroll & Related Expenses	13.1	8.2	10.9	14.9
Other	8.9	14.5	8.6	8.5
Total	23.9	24.3	18.8	24.4
Departmental Income	76.1	75.7	81.2	75.6
Ratio to Total Sales	33.7	29.2	37.2	33.7
Food & Beverage				
Sales				
Food	73.7	77.2	63.1	87.2
Beverage	26.6	22.8	37.0	13.2
Total	100.0	100.0	100.0	100.0
Cost of Sales				
Food	33.9	33.4	36.6	33.5
Beverage	25.0	37.2	29.1	21.8
Total	31.5	35.5	34.5	30.9
Gross Profit	68.5	64.5	65.5	69.1
Public Room Sales	0.7	0.9	0.7	0.6
Other Income	2.2	1.6	1.1	2.5
Gross Profit & Other Income	70.4	67.4	69.0	72.5
Departmental Expenses				
Payroll & Related Expenses	29.1	15.5	30.5	36.3
Other	13.3	15.9	11.2	13.3
Total	47.7	29.5	40.4	50.2
Departmental Income	23.3	38.4	21.8	20.7
Ratio to Total Sales	10.2	14.0	10.2	8.8
Telephone Departmental Profit	0.9	1.3	0.2	0.7
Net Income From Minor Operated Departments	1.2	1.6	1.2	1.2
Rentals & Other Income	2.2	1.8	2.1	2.3
Gross Income	51.3	51.3	52.8	49.1
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	5.4	3.6	6.7	5.4
Other	3.7	3.2	5.8	3.5
Total	9.5	6.4	12.7	9.2
Marketing	3.4	4.0	2.7	3.2
Energy Costs	3.7	2.4	8.3	3.5
Property Operation & Maintenance	6.5	5.6	6.6	6.6
Total Undistributed Expenses	24.7	18.5	33.1	24.6
Income Before Management Fees	24.3	32.6	20.4	24.3
Management Fees	5.6	6.3	5.0	5.7
Income Before Fixed Charges	21.3	31.9	16.1	21.3
Property & Insurance	1.4	1.9	1.8	1.2
Income Before Interest and Depreciation	13.7%	18.1%	3.0%	16.7%

*All figures are medians and do not necessarily add to totals shown.

Region I
Currency Conversion Tables
1983 vs. 1982 Percentage of Change
Africa and Middle East

	1983 Factor [$US/(x)]	1982 Factor [$US/(x)]	Percentage of Change
Subregion 1—Northern Africa			
Algeria	0.20300	0.19556	3.8%
Egypt	1.42860	1.42860	0%
Libya	3.37780	3.37780	0%
Morocco	0.12475	0.15960	(21.8)%
Tunisia	1.36949	1.54000	(11.1)%
Subregion 2—Southern Africa			
Benin	0.00240	0.00380	(36.8)%
C.F.A.*	0.00236	0.00300	(21.3)%
Ethiopia	0.48309	0.48310	(0.1)%
Gambia	0.36270	0.40360	(10.1)%
Ghana	0.33300	0.36360	(8.4)%
Kenya	0.07224	0.08990	(19.6)%
Lesotho	0.81850	0.93140	(13.2)%
Madagascar	0.00206	0.00260	(20.2)%
Mauritius	0.07860	0.09210	(14.7)%
Nigeria	1.33590	1.49200	(10.5)%
Seychelles	0.14445	0.14730	(1.9)%
Sierre Leone	0.39840	0.77720	(48.7)%
South Africa	0.81850	0.93140	(12.1)%
Sudan	0.76920	0.76920	0%
Tanzania	0.08028	0.10320	(22.2)%
Zaire	0.03412	0.16820	(79.7)%
Zambia	0.73970	0.92970	(20.4)%
Zimbabwe	0.90460	1.08760	(16.8)%
Subregion 3—Middle East			
Bahrain	2.65960	2.65960	0%
Cyprus	1.79750	2.03450	(11.6)%
Iran	0.01134	0.01200	(5.5)%
Iraq	3.21690	3.21690	0%
Israel	0.01046	0.03280	(68.1)%
Jordan	2.69180	2.84500	(0.1)%
Kuwait	3.41810	3.46380	(0.1)%
Lebanon	0.18215	0.20080	(9.3)%
Oman	2.89519	2.89520	(0.1)%
Qatar	0.27473	0.27470	0.1%
Saudi Arabia	0.28612	0.29110	(1.7)%
Syrian Arab Republic	0.25478	0.25480	(0.1)%
Turkey	0.00350	0.00570	(38.6)%
United Arab Emirates	0.27240	0.27240	0%

Source: *International Financial Statistics*, December 1983, December 1982.
*United Republic of Cameroon, Central African Republic, Republic of Chad, People's Republic of the Congo, Republic of Gabon, Republic of the Ivory Coast, Republic of Niger, and Republic of Senegal.

REGION II: ASIA AND AUSTRALASIA

Exhibit II-1
General Profile of Typical Contributor Based on Various Measures of Central Tendency—Asia and Australasia

Criteria	Category of Typical Contributor
Age	Built between 1960–1969
Size	300–600 rooms
Occupancy	Between 70% and 80%
Average Rate	Over $50 (U.S.)
Sales Volume	Over $6 million (U.S.)
Restaurant Operation	Operated a restaurant in which the volume of food and beverage sales is between 75% and 99% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1983

Exhibit II-2
Highlights*
Asia and Australasia

- Total revenue declined slightly on a per room basis.
- Room occupancy fell 5.9 percent to 72.8% compared with 77.4 percent in 1982.
- The average daily rate per occupied room was $51.11 compared with $47.70 in 1982, an increase of 7.2 percent.
- Payroll and related expenses per room rose 42.7 percent from $3,787 to $5,404.
- Income before income taxes dropped 26.6 percent on a per room basis, although sales declined only slightly. The ratio to total sales fell to 13.5 percent from 15.6 percent in 1982.

*Based on medians.

Profile of contributors

The typical contributing property from Asia and Australasia is described in Exhibit II-1. Region II is subdivided into Asian, Far Eastern and Pacific Basin properties in order to provide more useful information on the operating results of the hotels participating in this study. A summary of the major results is presented in Exhibit II-2. A 5.9 percent decrease in the occupancy rate, together with a 7.2 percent increase in room rates, produced a slight drop in total revenues for the region. This affected hotel profitability for 1983 as income before income taxes declined almost 27 percent.

Chart 4 gives the source and distribution of the Asian and Australasian lodging dollar for the year. Percentages in parentheses indicate the figures reported in 1982.

The source and composition of hotel guests is presented for each subregion in Exhibit II-3. The percentage of guests from foreign sources was approximately twice that of guests from domestic sources with the exception of the Pacific Basin operations, which reported a more evenly divided proportion of foreign and domestic travelers. The percent of repeat business was fairly consistent among the three breakdowns, ranging from 38.8 to 42.7 percent—a sharp contrast to the uneven results reported for 1982. Busi-

Exhibit II-3
Market Data*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Basin
Source of Business				
Domestic	34.6%	33.3%	23.8%	47.7%
Foreign	65.4	66.7	76.2	52.3
Percentage of Repeat Business	41.2%	42.7%	40.6%	38.8%
Composition of Market				
Government Officials	3.7	4.5	2.8	3.2
Businessmen	43.3	50.4	42.7	31.9
Tourists	30.0	20.6	34.7	41.1
Conference Participants	7.5	6.1	7.3	10.2
Other	15.5	18.4	12.5	13.6
Percentage of Advance Reservations	82.0%	81.5%	80.2%	84.9%
Composition of Advance Reservations				
Direct	25.1%	26.5%	23.6%	24.0%
Reservation Systems	37.0	46.9	28.4	27.1
Travel Agents & Tour Operators	34.4	24.4	43.9	43.7
Other	3.4	2.2	4.1	5.1
Ratio of Travel Agent Commissions to Room Sales	2.7%	0.9%	1.9%	5.0%

*Arithmetic mean.

Exhibit II-4
Nationality of Guests—1983*
All Hotels—Asia and Australasia

	Rank		Total Region	Asia	Far East	Pacific Basin
	1983	1982				
Other Asian	1	1	22.0%	33.5%	21.2%	3.0%
Australasian	2	4	18.2	7.7	7.1	47.5
Japanese	3	3	15.4	8.4	27.2	15.7
American	4	2	15.3	10.6	19.9	19.0
British	5	5	7.3	8.9	7.6	4.0
Other European	6	6	5.5	8.8	3.4	2.0
German	7	7	4.0	6.0	3.1	1.7
French	8	8	3.2	4.0	2.3	2.8
Middle Eastern	9	9	2.3	3.9	1.4	0.3
Italian	10	12	2.1	2.8	1.8	1.1
Canadian	11	10	1.7	1.7	2.0	1.5
Scandinavian	12	14	0.8	1.2	0.7	0.3
Mexican	13	17	0.6	0.7	0.3	0.6
Other African	14	11	0.5	0.7	0.3	0.5
South American	15	13	0.4	0.4	0.9	0.1
North African	16	16	0.3	0.4	0.5	0
Central American	17	15	0.3	0.4	0.4	0.1

*Arithmetic mean.

nessmen accounted for the largest segment of travelers in the Asian and Far Eastern markets while tourists were the principal visitors to Pacific Basin properties. The percentage of advance reservations was slightly higher in the Pacific Basin subregion than in Asia and the Far East.

Exhibit II-4 presents the nationality of hotel guests for properties in each subregion. For the second consecutive year, other Asian travelers were ranked first by hotels providing guest information. Minor rearrangements in the rankings can be observed between 1982 and 1983 results.

Performance measurements

Total sales per available room decreased in all areas of Region II from 1982 to 1983, resulting in reduced income before fixed charges. Only Far Eastern properties reported an increase in profits for the year. Exhibit II-5 details sales and profitability information and also provides various performance ratios. As a ratio to total sales, income before fixed charges decreased 5.8 percent for Asian properties, and 17.9 percent for hoteliers in the Pacific Basin subregion. Far Eastern operations recorded an 11.0 percent increase in this same ratio. As shown, the number of times the average rate was earned was lower in two out of three subregions compared with the preceding year.

Exhibit II-5
Comparison of Sales and Profitability*
Asia and Australasia

	Total Region		Asia		Far East		Pacific Basin	
	1983	1982	1983	1982	1983	1982	1983	1982
Amounts Per Available Room								
Total Sales	$25,994	$26,089	$21,724	$22,423	$27,105	$28,823	$30,260	$36,529
Income Before Fixed Charges	6,578	7,819	6,932	7,301	8,112	11,597	4,620	6,723
Net Income** or (Loss)	$ 2,523	$ 3,438	$ 2,630	$ 3,721	$ 7,358	$ 5,407	$ 1,028	$ 3,356
Ratio of Income Before Fixed Charges								
Room Sales	48.7%	55.6%	63.5%	62.6%	64.8%	67.9%	35.9%	40.9%
Total Sales	24.5	26.0	29.2	31.0	30.2	27.2	17.0	20.7
Number of Times Average Rate Was Earned	133	166	145	186	189	178	103	138
Increase (Decrease)	(19.9)%		(22.0)%		6.2%		(25.4%)	

*All figures are medians.
**Before income tax.

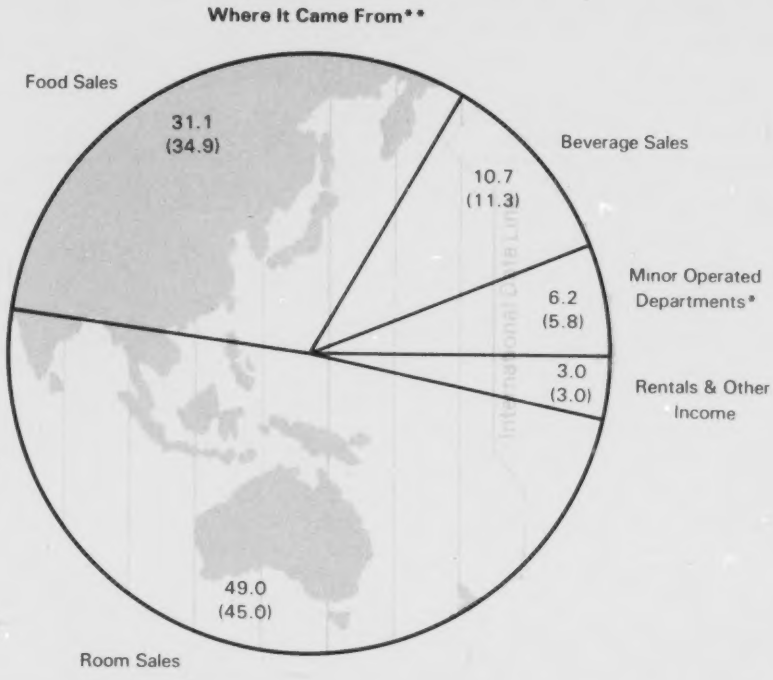
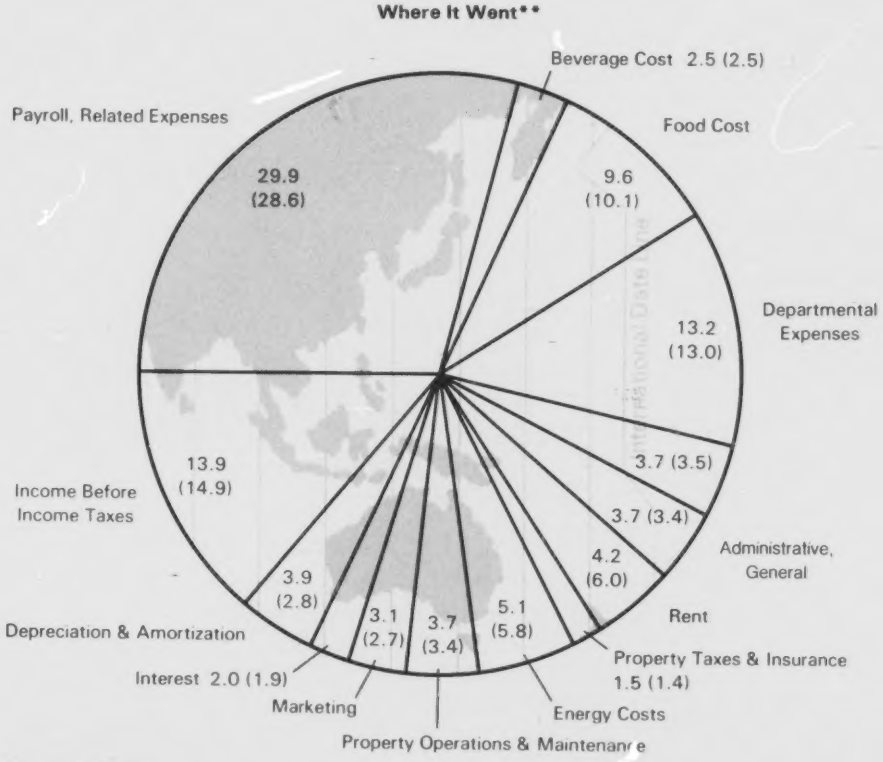


Chart 4: Asia and Australasia
Percentage Distribution of Revenue and Expenses



*Including Telephone
**1982 percentages in parentheses

Exhibit II-6
Occupancy, Double Occupancy, Room Rates*
Asia and Australasia

	Total Region		Asia		Far East		Pacific Basin	
	1983	1982	1983	1982	1983	1982	1983	1982
Annual Room Occupancy	72.8%	77.4%	67.3%	76.1%	79.1%	72.8%	71.3%	79.1%
Number of Guests Per Room	1.35	1.42	1.28	1.29	1.48	1.34	1.80	1.78
Average Daily Rate								
Per Room (U.S. Dollars)	$51.11	$47.70	$46.94	$40.88	$45.73	$55.02	$58.69	$57.72
Per Guest (U.S. Dollars)	31.47	34.83	30.65	28.17	25.24	36.62	43.31	34.41

*All figures are medians.

Exhibit II-7
Composition of Sales*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Basin
Rooms	49.9%	49.6%	45.9%	52.5%
Food	29.8	28.3	34.8	28.7
Beverage	11.1	10.2	10.3	12.4
Telephone	3.8	5.3	3.4	2.4
Minor Operated Departments	2.4	2.7	3.3	1.7
Rentals & Other Income	3.0	3.9	2.3	2.3
Total	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

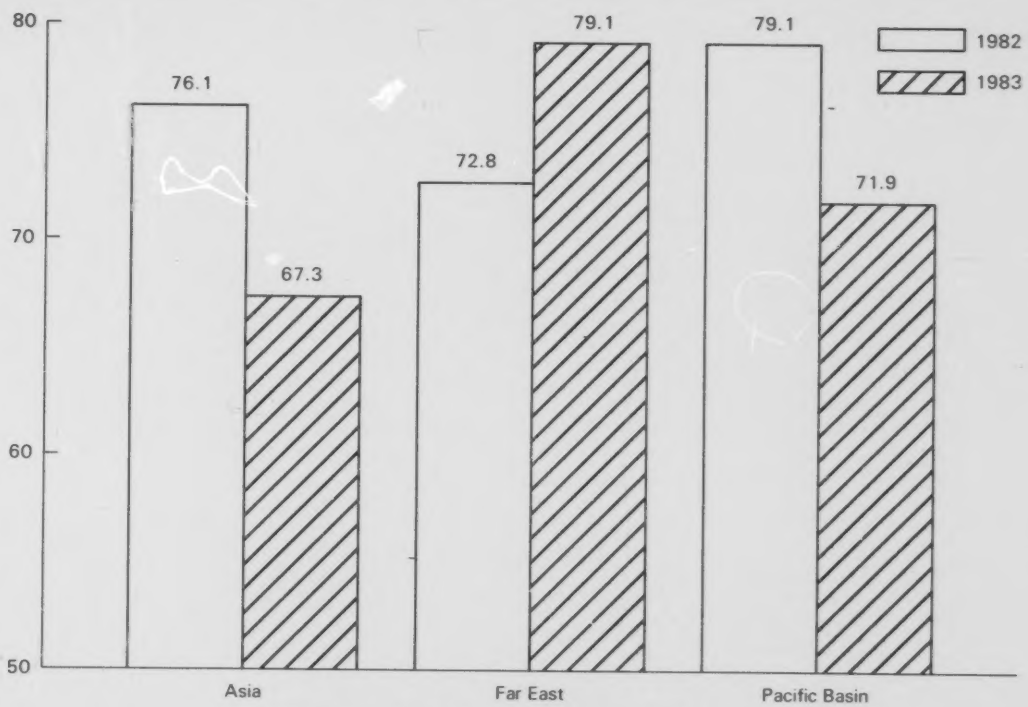


Chart 5—Region II: Asia and Australasia
Occupancy Rates 1982 vs. 1983

Occupancy and average rate

Exhibit II-6 illustrates the median room occupancy, number of guests per room and the average daily rate per room and per guest for properties in Asia, the Far East and the Pacific Basin. Significant decreases in occupancy were reported by Asian and Pacific Basin operations, while Far Eastern properties reported an 8.7 percent rise in the occupancy rate. There was a positive trend for properties in most of Region II with respect to the per room and per guest average daily rate categories. The exception to this trend was the Far East subregion. These Far Eastern hotels reported a 16.9 percent decline in room rates and a significant 31.1 percent drop in rates per guest.

Chart 5 on page 50 graphically presents a comparison of 1982 and 1983 occupancy rates for the Region II geographic breakdowns.

Analysis of sales

The composition of sales for the Asian and Australasian Region is highlighted in Exhibit II-7. Room sales accounted for the majority of total hotel revenues, with the Pacific Basin area reporting the largest room revenue contribution to total sales. Food sales, as a portion of total revenue, increased by 4.9 percent for Asian hotels when compared to 1982 results, but moderate declines were posted this year for the Far Eastern and Pacific Basin subregions.

Exhibit II-8 provides revenue and expense information for minor operated departments per available room and as ratios to sales. As shown, the only reported loss in net income during 1983 was for telephone operations as an amount per room for properties in the Pacific Basin.

Exhibit II-8
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Basin
Telephone				
Amount Per Available Room				
Sales	$935	$1,208	$1,073	$471
Cost of Sales				
Cost of Calls	667	891	934	369
Equipment Rental	96	50	96	140
Total	752	956	978	562
Payroll & Related Expenses	108	49	106	220
All Other Expenses	6	6	7	5
Total Cost & Expenses	902	1,026	1,125	709
Net Departmental Income (Loss)	58	117	81	(153)
Ratio to Total Sales				
Sales	3.8%	5.5%	4.1%	1.6%
Cost of Sales	2.9	4.5	3.6	1.9
Payroll & Related Expenses	0.4	0.2	0.4	0.7
Minor Operated Departments				
Amount Per Available Room				
Sales	$484	$ 488	$ 532	$373
Cost of Sales	151	171	254	94
Payroll & Related Expenses	322	96	204	126
Other Expenser	34	39	62	17
Total Costs & Expenses	317	306	388	322
Net Departmental Income	189	242	305	83
Ratio to Total Sales				
Sales	2.4%	2.8%	3.1%	1.0%
Cost of Sales	0.6	0.7	0.8	0.3
Payroll & Related Expenses	0.4	0.4	0.6	0.4
Rentals & Other Income				
Amount Per Available Room				
Space Rentals	$165	$ 202	$ 54	$294
Concessions	57	153	41	57
Commissions	24	18	32	27
Other	212	222	324	166
Total Rentals & Other Income	515	515	492	577
Ratio to Total Sales	2.2%	2.7%	2.0%	2.0%

*All figures are medians and do not necessarily add to totals shown.

Exhibit II-9
Food and Beverage Statistics*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Basin
Food Sales — By Facility				
Amount Per Available Room				
Dining Room	$4,921	$3,941	$5,688	$5,817
Room Service	466	542	412	401
Banquet	1,632	1,335	1,438	1,890
Bar/Lounge	254	186	257	293
Total	$6,974	$5,299	$7,095	8,177
Ratio to Total Sales				
Dining Room	69.6%	65.4%	71.8%	70.1%
Room Service	6.9	7.7	5.6	5.4
Banquet	21.9	16.9	19.1	24.8
Bar/Lounge	2.7%	2.8%	1.7%	3.1%
Amount Per Seat				
Dining Room	$3,603	$3,446	$6,122	$3,120
Banquet	930	826	1,469	1,245
Bar/Lounge	241	133	352	298
Total	$1,982	$1,867	$3,179	$2,187
Average Check				
Dining Room	$7.23	$5.47	$7.00	$8.40
Room Service	5.01	3.99	5.12	7.05
Banquet	10.06	7.50	11.41	11.37
Total	$ 8.09	$ 5.32	7.12	$ 9.10
Covers Served Per Seat				
Dining Room	657	700	842	325
Banquet	107	107	140	87

*All figures are medians and do not necessarily add to totals shown.

Restaurant operations

Exhibit II-9 presents the food and beverage statistics for those hotels in Region II providing such detail. Food sales per available room and ratios to total food and beverage sales are shown by facility. In addition, information covering the number of persons served per seat and the average sale per customer are listed. For most categories of facilities (or services) analyzed, the average check was considerably higher for Pacific Basin properties than for those in the other subregions; however, banquet checks for both Far Eastern and Pacific Basin properties were essentially the same.

Exhibit II-9 (continued)
Food and Beverage Statistics*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Basin
Room Service Sales				
Per Occupied Room				
Food	$ 1.89	$ 2.05	$ 1.68	$ 1.79
Beverage	.33	.31	.18	.47
Total	$ 2.25	$ 2.26	$ 1.80	$ 2.79
Per Guest				
Food	$ 1.56	$ 1.64	$ 1.14	$ 1.72
Beverage	.28	.21	.15	.72
Total	$ 1.92	$ 1.92	$ 1.25	$ 2.90
Beverage Sales — By Facility				
Amount Per Available Room				
Dining Room	$1,008	$ 912	$1,049	$1,185
Room Service	82	70	56	138
Banquet	259	199	234	551
Bar/Lounge	1,206	1,222	1,215	1,165
Total	$2,449	$2,216	$2,565	$2,843
Ratio to Total Beverage Sales				
Dining Room	35.7%	35.0%	42.0%	35.0%
Room Service	2.8	2.9	2.2	3.6
Banquet	13.1	10.9	15.0	15.2
Bar/Lounge	42.9%	44.6%	36.0%	44.8%
Ratio to Food Sales				
Dining Room	21.3%	21.9%	16.4%	21.5%
Room Service	14.2	13.3	12.5	27.6
Banquet	26.0	24.5	23.3	34.7
Total (Including Bar/Lounge)	38.4%	38.7%	31.1%	40.1%
Amount Per Seat				
Dining Room	$ 815	$ 773	$ 963	$1,070
Banquet	224	133	342	480
Bar/Lounge	3,071	3,000	2,182	5,585
Total	$ 890	$ 773	$ 818	$1,398

*All figures are medians and do not necessarily add to totals shown.

Exhibit II-10
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Basin
Payroll & Related Expenses				
Amount Per Room Cash Payroll	$ 5,559	$ 2,754	$ 4,631	$ 8,475
Net Payroll & Related Expenses**	6,844	4,132	6,289	11,759
Employee Benefits — Ratio to Cash Payroll	35.2%	42.1%	39.4%	30.2%
Cost Per Employee				
Cash Payroll	$ 4,773	$ 1,740	$ 4,594	$13,773
Net Payroll & Related Expenses**	5,404	2,505	4,934	18,377
Employment Statistics				
Sales Per Employee				
Rooms	$34,243	$24,204	$36,977	$74,301
Food & Beverage	17,597	11,577	20,788	36,096
Telephone	45,846	37,443	56,171	57,120
Minor Operated Departments	21,352	12,657	27,956	41,362
Total Sales Per Employee	25,114	12,863	24,445	42,322
Productivity Index				
1983	3.82	4.66	4.57	2.61
1982	3.42	6.21	3.42	3.19
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	35.1	39.3	33.9	20.8
Food & Beverage	60.4	66.8	59.8	39.8
Telephone	2.4	3.0	1.9	1.2
Minor Operated Departments	3.7	4.5	3.0	1.3
Administrative & General	10.9	13.6	10.4	5.3
Marketing—Sales	2.2	2.4	2.8	1.4
Marketing—Other	1.3	1.3	1.3	3.0
Property Operation & Maintenance	9.2	15.6	8.9	3.9
Personnel	1.5	2.1	1.6	0.8
House Laundry	4.5	6.5	3.7	2.4
Other	0.9	2.9	0.7	0.5
Total	123.5	160.2	129.4	65.3

*Based on those supplying data. All figures are medians and do not necessarily add to totals shown.
**After credit for service charges.

Payroll and related expenses

Information regarding payroll, employee benefits and employment statistics is presented in Exhibit II-10. For the second consecutive year, net payroll, costs per employee, amounts per room and sales per employee were considerably higher for properties in the Pacific Basin than for either Asian or Far Eastern hotels. Compared with the 1982 edition of this analysis, decreases in the number of full-time equivalent employees per 100 available rooms were reported by the Far East and Pacific Basin hotels, with Asian properties having a negligible increase in total employees.

Undistributed operating expenses

Undistributed operating expenses for the region are analyzed in Exhibit II-11 by cost per available room, as a ratio to room sales and as a ratio to total sales. From 1982 to 1983, administrative and general expenses declined for the subregions with the exception of Asian properties. Marketing expenditures either remained constant or increased in relation to total sales, while energy costs universally declined.

Exhibit II-11
Analysis of Undistributed Operating Expenses* Asia and Australasia

	Total Region	Asia	Far East	Pacific Basin
Administrative & General				
Cost Per Available Room				
Payroll & Related Expenses	$ 950	$ 818	$ 844	$1,257
Other	833	776	695	946
Total	1,983	1,633	1,519	2,274
Ratio to:				
Room Sales	15.6%	15.8%	11.7%	15.8%
Total Sales — 1983	7.4	7.7	5.6	7.6
Total Sales — 1982	7.6	7.5	7.2	7.8
Increase (Decrease)	(2.6)%	2.7%	(22.2)%	(2.6)%
Marketing				
Cost Per Available Room				
Payroll & Related Expenses	$ 237	$ 88	$ 259	$ 350
Other	845	742	757	953
Total	1,135	915	1,081	1,269
Ratio to:				
Room Sales	8.5%	8.7%	7.6%	8.5%
Total Sales — 1983	4.0	4.0	4.1	4.1
Total Sales — 1982	3.7	3.5	4.1	3.7
Increase (Decrease)	8.1%	14.3%	—	10.8%
Energy				
Cost Per Available Room	$1,436	$1,760	$1,436	$1,259
Ratio to:				
Room Sales	12.2%	14.1%	10.0%	7.4%
Total Sales — 1983	5.5	7.2	5.2	3.6
Total Sales — 1982	6.3	7.9	6.5	4.2
Increase (Decrease)	(12.7)%	(8.9)%	(20.0)%	(14.3)%
Property Operation & Maintenance				
Cost Per Available Room				
Payroll & Related Expenses	$ 484	$ 394	$ 452	$ 922
Other	793	771	649	901
Total	1,378	1,246	1,122	1,730
Ratio to:				
Room Sales	11.0%	11.7%	9.9%	11.8%
Total Sales — 1983	5.8	6.0	4.3	6.2
Total Sales — 1982	6.1	6.6	5.4	6.1
Increase (Decrease)	(4.9)%	(9.1)%	(20.4)%	1.6%

*All figures are medians and do not necessarily add to totals shown.
— No change.

Exhibit II-12
Energy Costs Per Occupied Room Per Day*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Basin
Fuel	$0.96	$0.95	$0.88	$1.01
Electricity	4.38	5.40	4.73	3.28
Water	0.54	0.52	0.26	0.60
Steam	0.14	0.21	NA	0.03
Credit for Sale of Energy	0.29	0.73	0.35	0.17
Net Energy Cost — 1983	$5.60	$6.54	$5.54	$4.66
Net Energy Cost — 1982	6.80	5.90	7.81	5.24
Increase (Decrease)	(14.7)%	10.8%	(29.1)%	(11.1)%

*All figures are medians and do not necessarily add to totals shown.
NA — Not available

Exhibit II-13
Method of Payment for Hotel Services*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Basin
Cash	25.2%	25.9%	25.0%	24.3%
Credit Card	30.6	28.7	34.4	30.2
Travel Agents & Tour Operators	18.5	14.7	17.5	26.5
All Other Credit	25.7	30.7	23.1	19.0

*Based on arithmetic mean.

Exhibit II-14
Credit Card Commission
Annual Cost Per Occupied Room*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Basin
Annual Cost Per Occupied Room	$252	$111	$232	$529
Ratio to Total Sales	0.6%	0.3%	0.5%	1.2%

*All figures are medians.

Detailed data on daily energy costs per occupied room is given in Exhibit II-12. Asian hotels reversed the favorable results they reported in 1982, showing increased net costs per room. Properties in the Far East and Pacific Basin, however, reported significant energy savings.

Credit and collection data

The preferred method of payment for hotel services differed between the reporting subregions according to Exhibit II-13. Credit cards were used by a higher percentage of visitors in the Far East and the Pacific Basin, while other credit was the most popular method of payment in Asia. Exhibit II-14 displays the cost of credit card usage. The highest annual cost per occupied room and ratio to total sales was found in the Pacific Basin area. Asian and Far Eastern properties report lower amounts for these two indices during 1983 than they had in last year's study.

Fixed charges

Exhibit II-15 compares median fixed charges per available room and as ratios to total sales of fixed charges, which include rent, property taxes, insurance on buildings and contents, interest and depreciation. Total fixed charges (as a ratio to total sales) were 45.9 percent higher for Asian properties than reported for 1982. In contrast, Far Eastern properties reported a 37.5 percent decrease in fixed charges as amounts per room when compared with 1982's results. As a ratio to total sales these same properties showed a 66.6 percent decrease in fixed costs.

Balance sheet statistics

Exhibit II-16 gives the typical liquidity ratios, which measure the hotel's capability to cover its current obligations. In 1983, Far Eastern properties maintained the same position as reported in last year's study. Asian hotels reported a slight drop in liquidity.

Operating results for 1983 are presented in Exhibits II-17 and II-18 as amounts per available room and as ratios to total sales for the Asian and Australasian hotels participating in this year's study.

Exhibit II-15
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Basin
Amount Per Room				
Rent	$ 993	$1,138	$ 98	$1,087
Property Taxes	369	133	152	549
Insurance on Buildings & Contents	73	111	56	65
Interest Expense	395	497	107	308
Depreciation & Amortization	1,147	1,116	1,207	1,194
Total Fixed Charges	2,426	2,088	812	3,884
Ratio to Total Sales — 1983	9.7%	10.8%	3.2%	12.5%
Ratio to Total Sales — 1982	10.4	7.4	9.6	10.8
Increase (Decrease)	(6.7)%	45.9%	(66.6)%	15.7%

*All figures are medians and do not necessarily add to totals shown.

Exhibit II-16
Balance Sheet Statistics—Liquidity Ratios*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Basin
Current Position:				
Ratio of Current Assets to Current Liabilities	$ 1.13	$ 1.15	$ 1.22	$ 1.04
Accounts Receivable:				
Amount Per Room	$1,873	$1,940	$2,217	$1,686
Ratio to Total Sales	15.3%	16.0%	15.6%	10.6%
Food Inventory:				
Amount Per Room	$ 152	$ 127	$ 218	$ 109
Annual Turnover	21.4	20.0	19.3	25.2
Beverage Inventory:				
Amount Per Room	$ 149	$ 164	$ 134	$ 169
Annual Turnover	4.6	4.0	5.0	5.0
Operating Supplies Inventory:				
Amount Per Room	$ 429	$ 684	$ 321	$ 261

*All figures are medians.

Exhibit II-17
Statement of Income and Expenses
Median Amounts
Per Available Room*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Rooms				
Sales	$13,209	$11,245	$13,313	$15,338
Departmental Expenses				
Payroll & Related Expenses	1,165	773	1,297	3,138
Other	1,215	953	1,198	1,762
Total	3,019	1,651	2,530	4,883
Departmental Income	9,923	9,480	10,783	10,283
Food & Beverage				
Sales				
Food	6,974	5,299	7,095	8,177
Beverage	2,449	2,216	2,565	2,843
Total	9,659	7,830	9,266	11,943
Cost of Sales				
Food	2,478	2,023	2,640	2,569
Beverage	617	570	537	812
Total	3,000	2,630	3,177	3,589
Gross Profit	6,400	5,188	6,090	8,330
Public Room Sales	82	82	79	149
Other Income	117	122	102	228
Gross Profit & Other Income	6,635	5,243	6,220	8,347
Departmental Expenses				
Payroll & Related Expenses	2,976	1,702	2,947	4,787
Other	1,299	1,221	1,313	1,576
Total	4,533	2,929	4,258	6,607
Departmental Income	2,159	2,207	2,624	1,791
Telephone Departmental Income	58	117	81	(153)
Net Income From Minor Operated Departments	189	242	305	83
Rentals & Other Income	515	515	492	577
Gross Income	13,743	12,997	15,262	13,716
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	950	828	844	1,257
Other	833	776	695	946
Total	1,983	1,633	1,519	2,274
Marketing	1,135	915	1,081	1,269
Energy	1,436	1,760	1,436	1,259
Property Operation & Maintenance	1,378	1,246	1,122	1,730
Total Undistributed Expenses	6,076	5,855	5,215	7,101
Income Before Management Fees	7,292	7,737	9,971	5,639
Management Fees	977	826	761	992
Income Before Fixed Charges	6,578	6,932	8,112	4,620
Property Taxes & Insurance	442	243	208	614
Income Before Interest and Depreciation	3,479	3,231	7,907	2,717

*All figures are medians and do not necessarily add to totals shown.

Exhibit II-18
Ratio to Total Sales*
Asia and Australasia

All ratios are based on total sales except those of the rooms and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

	Total Region	Asia	Far East	Pacific Basin
Rooms				
Sales	100.0%	100.0%	100.0%	100.0%
Departmental Expenses				
Payroll & Related Expenses	12.2%	9.2%	10.6%	21.9%
Other	10.5	8.9	10.5	12.1
Total	23.3	17.8	19.2	34.7
Departmental Income	76.7	82.2	80.8	65.3
Ratio to Total Sales	37.6	40.3	36.8	35.5
Food & Beverage				
Sales				
Food	72.3	72.1	76.3	71.4
Beverage	27.7	27.9	23.7	28.6
Total	100.0	100.0	100.0	100.0
Cost of Sales				
Food	35.6	36.4	37.0	31.5
Beverage	24.2	25.1	22.2	23.8
Total	31.7	32.8	33.4	29.3
Gross Profit	68.3	67.2	66.6	70.7
Public Room Sales	0.8	0.9	0.6	1.1
Other Income	1.1	1.4	1.0	1.7
Gross Profit & Other Income	70.0	69.5	68.8	72.7
Departmental Expenses				
Payroll & Related Expenses	30.7	21.8	24.1	44.7
Other	13.5	14.1	12.7	13.5
Total	43.0	36.5	38.8	60.1
Departmental Income	24.1	30.4	31.6	14.1
Ratio to Total Sales	9.9	11.1	13.0	5.2
Telephone Departmental Profit	0.3	0.6	0.4	(0.4)
Net Income From Minor Operated Departments	0.9	1.3	1.3	0.4
Rentals & Other Income	2.2	2.7	2.0	2.0
Gross Income	52.3	57.1	54.8	41.1
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	3.9	4.0	3.2	4.5
Other	3.4	3.6	2.6	3.4
Total	7.4	7.7	5.6	7.6
Marketing	3.3	4.0	4.1	4.1
Energy	5.5	7.2	5.2	3.6
Property Operation & Maintenance	5.8	6.0	4.3	6.2
Total Undistributed Expenses	22.9	24.9	19.2	22.1
Income Before Management Fees	27.8	33.7	35.4	20.2
Management Fees	4.2	4.4	3.1	4.5
Income Before Fixed Charges	24.5	29.2	30.2	17.0
Property Taxes & Insurance	1.5	1.4	0.9	2.1
Income Before Interest & Depreciation	17.7%	21.4%	27.3%	7.0%

*All figures are medians and do not necessarily add to totals shown.

Region II

Currency Conversion Tables

1983 vs. 1982 Percentage of Change

Asia and Australasia

	1983 Factor [$US/(x)]	1982 Factor [$US/(x)]	Percentage of Change
Subregion 1—Asia			
India	0.09530	0.10380	(8.2)%
Nepal	0.06711	0.07580	(11.5)%
Pakistan	0.07407	0.07789	(4.9)%
South Korea	*	*	*
Sri Lanka	0.04000	0.04790	(16.5)%
Subregion 2—Far East			
Hong Kong	0.15360	0.15360	0%
Japan	0.00431	0.00360	19.7%
Malaysia	0.42766	0.42430	0.1%
Singapore	0.47015	0.45250	3.9%
Thailand	0.04348	0.04350	(0.1)%
Subregion 3—Pacific Basin			
Australia	0.89250	0.98060	(9.0)%
Brunei	*	*	*
Fiji	0.95580	1.05560	(9.5)%
French Polynesia	0.11980	0.14860	(19.4)%
Guam	1.00000	1.00000	0%
Hawaiian Islands	1.00000	1.00000	0%
Indonesia	0.00101	0.00150	(32.7)%
New Zealand	0.65450	0.70900	(7.7)%
Philippines	0.07142	0.11320	(36.9)%
Vanuatu	*	*	*

Source: *International Financial Statistics*, December 1983, December 1982.
*Reported in U.S. Dollars. Conversion factor not available.

REGION III: NORTH AMERICA

Profile of contributors

This section presents data for North America, divided into the geographic subregions of Canada, the United States and the Caribbean Islands. The typical contributor from this region is identified and defined in Exhibit III-1, and the highlights of the analysis of operating results are shown in Exhibit III-2.

For the third consecutive year, North American properties reported declines in room occupancy when compared with the preceding year. The 1.7 percent decrease (from 1982 to 1983) was considerably smaller than the decrease reported in the previous year and, for the most part, occurred in the first half of 1983. An even more positive sign, however, was the 7.6 percent increase in total revenue on a per room basis. This led to income before income taxes rising 62 percent from 1982 to 1983 for the participating properties in this region. When this strong bottom line performance is viewed in conjunction with the rebounding economies of the countries in this region, the outlook for the lodging industry in this region is very bright in 1984.

A regional analysis of the source and distribution of the lodging industry dollar is presented in Chart 6. In 1983 the percentage of revenue generation shifted slightly from the rooms department to the food and beverage departments, indicating that hotels in this region are attracting an increasing number of guests who have their meals in the hotel. On the expense side, increases in payroll and related expenses were offset by major declines in rent, enabling the reporting properties to increase income before income taxes from 1.8 percent in 1982 to 2.8 in 1983.

As shown in Exhibit III-3, the percentage of guests from domestic sources was higher for Canadian and American hotels than for any other geographic region analyzed in this entire report. American properties reported the most diversified customer base with businessmen, tourists and conference participants each repre-

Exhibit III-1
General Profile of Typical Contributor Based on Various Measures of Central Tendency— North America

Criteria	Category of Typical Contributor
Age	Built after 1969
Size	300–600 rooms
Occupancy	60%–69%
Average Rate	$55.00 and over (U.S.)
Sales Volume	Over $6 Million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is between 75% and 99% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1983

Exhibit III-2
Highlights* North America

- Total revenue increased 7.6 percent on a per room basis.
- Room occupancy declined 1.7 percent to 62.9 percent compared with 64 percent in 1982.
- The average daily rate per occupied room was $56.96 compared with $56.91 in 1982.
- Payroll and related expenses per room increased 2.2 percent from $13,767 to $14,073.
- Income before income taxes was 62.8 percent higher than 1982 on a per room basis.

*Based on medians.

Exhibit III-3
Market Data* North America

	Total Region	Canada	United States	Caribbean
Source of Business				
Domestic	80.2%	78.7%	90.1%	35.4%
Foreign	19.8	21.3	9.9	64.6
Percentage of Repeat Business	46.2	51.8	43.9	37.4
Composition of Market				
Government Officials	6.9	12.0	3.6	4.4
Businessmen	32.8	35.3	34.2	13.6
Tourists	31.2	27.4	27.0	74.4
Conference Participants	20.6	16.0	26.7	2.6
Other	8.5	9.2	8.5	5.0
Percentage of Advance Reservations	83.2	77.8	85.7	88.9
Composition of Advance Reservations				
Direct	41.3	43.6	43.9	19.8
Reservation Systems	31.8	28.8	34.2	30.9
Travel Agents & Tour Operators	24.6	22.9	21.4	47.7
Other	2.2	4.7	0.6	1.7
Ratio of Travel Agent Commissions to Room Sales	1.3%	1.1%	1.3%	6.8%

*Arithmetic mean.

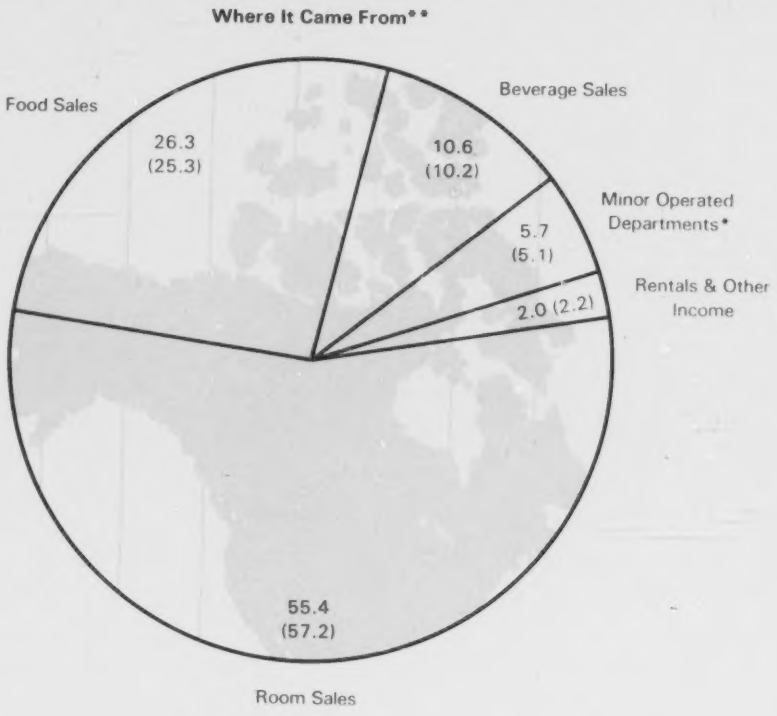
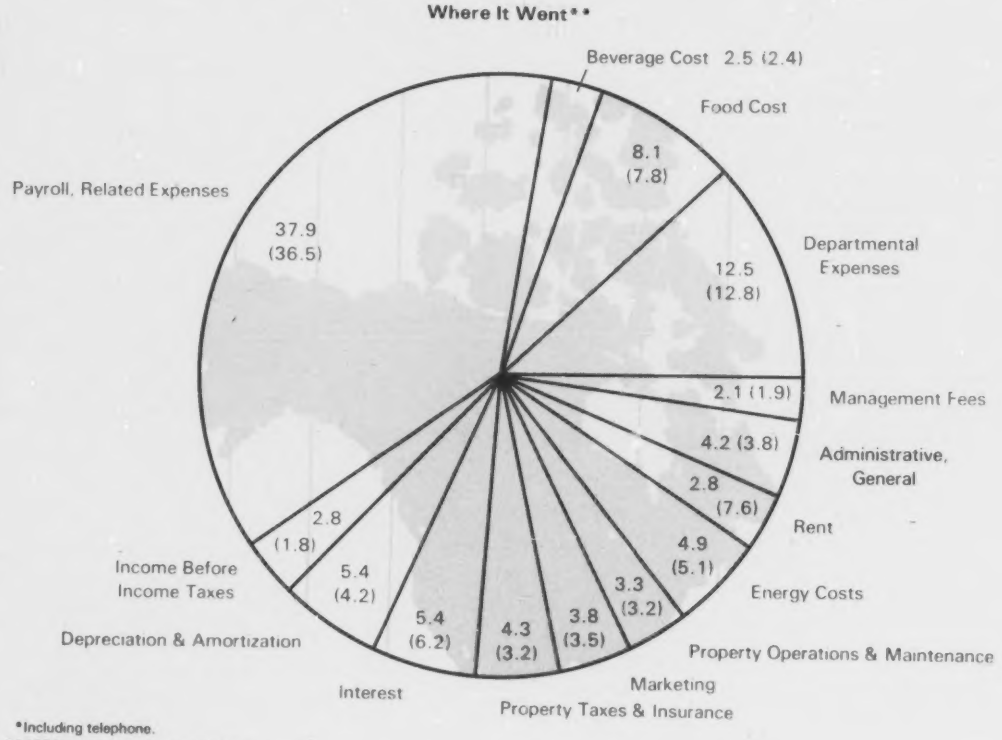


Chart 6: North America
Percentage Distribution of Revenue and Expenses



*Including telephone.
**1982 percentages in parentheses.

senting a significant portion of total guests. Caribbean properties, on the other hand, rely heavily on tourists: almost 75 percent of all guests to this subregion were traveling for pleasure. With such a high percentage of tourists frequenting their properties, it is not surprising that hotels in the Caribbean reported the highest percentage of advance reservations and that a significant portion of these reservations were made by travel agents and tour operators.

Exhibit III-4 presents the nationality of guests for the entire region and for the three subregions. Predictably, Americans were the dominant source of business in their own country as well as in the Caribbean, while Canadians were the most frequent guests in their own country.

Performance measurements

Exhibit III-5 presents comparisons of total sales and income for the properties reporting from North America. Median total sales per available room dropped for Canadian properties in 1983, but rose for those located in the United States and the Caribbean. The ratio of income before fixed charges to both room sales and total sales showed little change for Canadian and American properties, while operators in the Caribbean reported substantial improvements in these measurements in 1983. This was mainly the result of the large increase in total sales experienced by properties in the Caribbean in 1982.

Exhibit III-4
Nationality of Guests—1983*
All Hotels—North America

	Rank		Total Region	Canada	United States	Caribbean
	1983	1982				
American	1	1	57.7%	18.8%	84.8%	67.4%
Canadian	2	2	31.6	76.4	4.5	3.7
South American	3	4	2.2	0.2	2.1	8.3
French	4	8	1.7	0.5	1.1	7.6
British	5	3	1.2	0.4	1.7	1.7
Other European	6.5	5	1.0	0.7	0.9	2.2
Japanese	6.5	6	1.0	1.0	1.1	0.1
German	8.5	7	0.6	0.3	0.9	0.8
Central American	8.5	9	0.6	0	0.8	1.9
Italian	10	10	0.5	0.4	0.2	2.7
Mexican	11.5	11	0.4	0.1	0.7	0.4
Other Asian	11.5	14	0.4	0.5	0.3	0.3
Scandinavian	13	12	0.3	0.1	0.3	1.3
Middle Eastern	15	13	0.2	0	0.4	0.1
Australasian	15	15	0.2	0.3	0.2	0
Other African	15	16	0.2	0.1	0.2	1.5
North African	17	17	0.1	0.1	0.1	0

*Arithmetic mean.

Exhibit III-5
Comparison of Sales and Profitability*
North America

	Total Region		Canada		United States		Caribbean	
	1983	1982	1983	1982	1983	1982	1983	1982
Amounts Per Available Room								
Total Sales	$24,983	$23,222	$20,114	$21,185	$26,371	$25,084	$33,063	$19,791
Income Before Fixed Charges	5,010	4,015	3,500	3,778	5,836	5,586	4,352	1,761
Net Income** (Loss)	521	320	13	565	548	378	733	(14)
Ratio of Income Before Fixed Charges								
Room Sales	37.5%	33.9%	43.5%	41.5%	37.0%	38.3%	33.5%	13.8%
Total Sales	20.6	18.6	21.1	21.1	21.2	21.7	16.7	8.3
Number of Times Average Rate was Earned	97	86	96	91	97	92	99	39
Increase (Decrease)	(12.8)%		(5.5)%		(5.4)%		(153.8)%	

*All figures are medians.
**Before income tax.

Exhibit III-6
Occupancy, Double Occupancy, Room Rates*
North America

	Total Region		Canada		United States		Caribbean	
	1983	1982	1983	1982	1983	1982	1983	1982
Annual Room Occupancy	62.9%	64.0%	58.8%	62.1%	63.7%	64.7%	68.1%	64.1%
Number of Guests Per Room	1.50	1.45	1.48	1.44	1.48	1.39	1.93	1.97
Average Daily Rate								
Per Room (U.S. Dollars)	$56.96	$56.91	$43.81	$43.61	$63.94	$61.50	$78.06	$69.26
Per Guest (U.S. Dollars)	40.27	40.17	33.78	33.84	49.10	46.03	47.54	33.23

*All figures are medians.

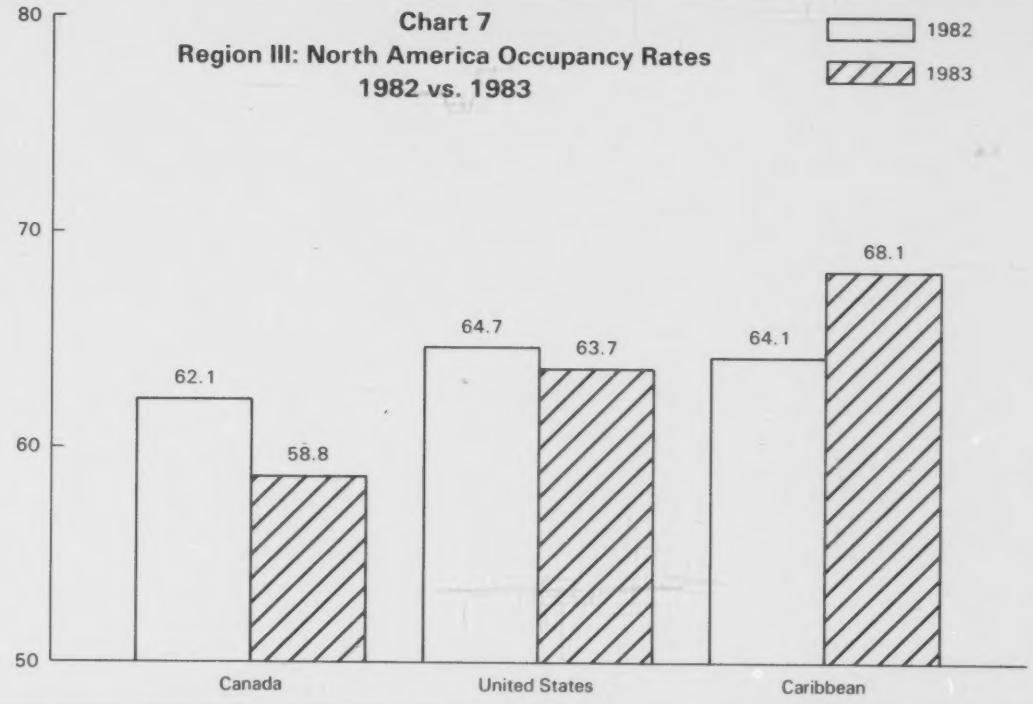
Exhibit III-7
Composition of Sales*
North America

	Total Region	Canada	United States	Caribbean
Rooms	54.3%	48.4%	57.3%	51.7%
Food	26.5	27.7	25.9	27.6
Beverage	12.0	17.8	9.7	8.8
Telephone	2.2	1.8	2.5	1.8
Minor Operated Departments	3.3	3.0	2.9	7.5
Rentals & Other Income	1.7	1.3	1.7	2.6
Total	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean

Occupancy and average rate

The comparison of room occupancy, number of guests per room and the average daily rate per occupied room and per guest is shown in Exhibit III-6. Canadian and American properties reported declines in occupancy in 1983 of 5.3 percent and 1.5 percent respectively. Particularly in the United States, however, these declines were experienced during the first part of the year with the long-awaited turnaround in room night demand finally occurring in the latter part of the year. Interestingly, an inverse relationship between the occupancy rate and the number of guests per room seems to exist for hotels in this region. For the past two



years, whenever increases in the occupancy rate have been reported, corresponding declines in the number of guests per room also have been reported. In addition, increases in the number of guests per room seem to occur during periods of declining occupancy. This may indicate a tendency for travelers to double up in rooms during more difficult economic periods. Properties in each of the three geographic subregions reported increases in the room rate in 1983.

Chart 7 presents room occupancy for the three subregions detailed in this section of the report. A comparison of 1982 and 1983 is shown.

Analysis of sales

In 1983, United States properties reported that the highest percentage of revenue was derived from room sales. Therefore, it is not surprising that these same properties reported the lowest percentage of revenue generated by their food and beverage operations. This situation has existed for a number of years as United States hoteliers face greater competition from independent restaurant operators than their counterparts in other areas of the world. Interestingly, Canadian properties report an unusually high percentage of revenue generated by beverage sales. This is the second straight year that hotels from this area reported higher sales in this department than in any other area analyzed. The detailed analysis of composition of sales is presented in Exhibit III-7.

Revenue and expenses for minor operated departments per available room and ratios to sales are presented in Exhibit III-8. For the third consecutive year, the properties reporting from each of the three subregions reported a net departmental loss in the telephone department. It is apparent that hotel operators in North America have yet to follow the lead set by their counterparts in other regions of the world by converting the telephone department into a revenue generator.

Exhibit III-8
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*
North America

	Total Region	Canada	United States	Caribbean
Telephone				
Amount Per Available Room				
Sales	$ 567	$ 408	$ 636	$ 621
Cost of Sales				
Cost of Calls	426	280	492	491
Equipment Rental	194	201	158	242
Total	612	459	659	666
Payroll & Related Expenses	192	156	206	144
All Other Expenses	6	4	9	6
Total Cost & Expenses	754	613	832	842
Net Departmental Income (Loss)	(187)	(195)	(171)	(313)
Ratio to Total Sales				
Sales	2.3%	2.1%	2.4%	2.1%
Cost of Sales	2.4	2.4	2.5	2.3
Payroll & Related Expenses	0.7	0.7	0.7	0.5
Minor Operated Departments				
Amount Per Available Room				
Sales	$ 370	$ 327	$ 397	$ 272
Cost of Sales	119	148	111	98
Payroll & Related Expenses	199	207	189	547
Other Expenses	38	29	40	76
Total Costs & Expenses	294	252	352	317
Net Departmental Income	63	130	51	42
Ratio to Total Sales				
Sales	1.7%	1.9%	1.5%	0.8%
Cost of Sales	0.4	0.8	0.4	0.6
Payroll & Related Expenses	0.9	1.1	0.7	1.0
Rentals & Other Income				
Amount Per Available Room				
Space Rentals	$ 129	$ 92	$ 196	$ 489
Concessions	43	31	38	217
Commissions	28	22	31	36
Other	151	98	192	298
Total Rentals & Other Income	315	202	320	745
Ratio to Total Sales	1.3%	1.1%	1.4%	2.5%

*All figures are medians and do not necessarily add to totals shown.

Exhibit III-9
Food and Beverage Statistics*
North America

	Total Region	Canada	United States	Caribbean
Food Sales—By Facility				
Amount Per Available Room				
Dining Room	$3,695	$2,941	$3,876	$8,968
Room Service	452	401	492	245
Banquet	2,319	1,633	2,645	1,025
Bar/Lounge	124	270	78	121
Total	6,760	5,600	7,528	9,544
Ratio to Total Sales				
Dining Room	58.9%	61.0%	55.6%	89.2%
Room Service	6.6	6.9	6.7	4.2
Banquet	34.7	33.8	36.6	12.5
Bar/Lounge	1.8	4.6	1.3	1.7
Amount Per Seat				
Dining Room	$4,665	$3,137	$7,360	$3,524
Banquet	811	658	1,039	801
Bar/Lounge	274	274	231	328
Total	1,627	1,138	2,572	1,815
Average Check				
Dining Room	$ 7.00	$ 6.43	$ 7.22	$10.58
Room Service	6.83	5.52	7.29	5.06
Banquet	12.75	9.24	14.10	11.99
Total	8.62	6.74	9.04	10.26
Covers Served Per Seat				
Dining Room	669	653	716	414
Banquet	73	66	91	87

*All figures are medians and do not necessarily add to totals shown.

Restaurant operations

Food and beverage statistics for those properties providing the detail are given in Exhibit III-9. Hotels in the United States reported the highest food sales per seat in 1983, primarily the result of having the largest number of covers served per seat among the three areas covered in this region. In contrast, Caribbean properties reported larger average checks than their North American counterparts but could not generate the level of seat turnover attained by properties in the United States. Therefore, their reported amounts per seat were considerably lower than those for American properties.

Exhibit III-9 (continued)
Food and Beverage Statistics*
North America

	Total Region	Canada	United States	Caribbean
Room Service Sales				
Per Occupied Room				
Food	$ 1.94	$ 1.76	$ 2.18	$ 1.10
Beverage	.64	.59	.70	.56
Total	2.60	2.39	2.70	1.42
Per Guest				
Food	$ 1.31	1.03	1.68	.69
Beverage	.50	.33	.68	.33
Total	1.69	1.53	2.22	.92
Beverage Sales—By Facility				
Amount Per Available Room				
Dining Room	$ 788	$ 568	$ 859	$1,495
Room Service	150	152	150	136
Banquet	709	710	727	469
Bar/Lounge	1,167	1,438	1,065	2,147
Total	2,944	3,112	2,843	3,320
Ratio to Total Beverage Sales				
Dining Room	25.6%	20.3%	26.8%	33.3%
Room Service	5.1	4.9	5.5	4.8
Banquet	24.1	19.5	24.4	12.3
Bar/Lounge	43.6	57.4	37.9	44.5
Ratio to Food Sales				
Dining Room	19.5%	20.2%	20.0%	11.9%
Room Service	29.6	40.1	27.6	35.3
Banquet	30.2	39.2	27.0	40.7
Total (Including Bar/Lounge)	42.3	55.7	38.1	34.9
Amount Per Seat				
Dining Room	$ 885	$ 638	$1,279	$ 825
Banquet	290	257	338	326
Bar/Lounge	2,393	2,135	3,316	812
Total	752	690	1,002	628

*All figures are medians and do not necessarily add to totals shown.

Exhibit III-10
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics* North America

	Total Region	Canada	United States	Caribbean
Payroll & Related Expenses				
Amount Per Room				
Cash Payroll	$ 7,584	$ 6,273	$ 7,775	$10,029
Net Payroll & Related Expenses**	9,681	8,062	10,482	13,919
Employee Benefits— Ratio to Cash Payroll	33.2%	23.0%	36.1%	36.6%
Cost Per Employee				
Cash Payroll	$10,933	$10,187	$11,555	$ 8,646
Net Payroll & Related Expenses**	14,073	11,968	15,138	14,018
Employment Statistics				
Sales Per Employee				
Rooms	$67,703	$58,445	$69,616	$84,036
Food & Beverage	28,605	28,244	28,858	31,604
Telephone	47,955	31,971	59,923	40,373
Minor Operated Departments	29,184	19,795	44,000	34,746
Total Sales Per Employee	36,093	31,881	39,355	37,056
Productivity Index				
1983	2.72	2.72	2.71	2.68
1982	3.45	2.66	2.76	3.87
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	20.2	16.9	22.7	25.5
Food & Beverage	34.9	32.7	33.8	44.7
Telephone	1.3	1.3	1.3	1.6
Minor Operated Departments	3.0	1.7	3.2	10.6
Administrative & General	6.2	6.0	6.2	8.3
Marketing—Sales	1.6	1.3	1.7	1.2
Marketing—Other	.4	1.3	.2	1.1
Property Operation & Maintenance	3.6	3.0	3.7	9.5
Personnel	.6	.6	.6	.7
House Laundry	3.1	2.1	3.0	3.9
Other	1.3	1.2	1.4	3.5
Total	67.5	61.5	68.0	101.7

*Based on those supplying data. All figures are medians and do not necessarily add to totals shown.
**After credit for service charges.

Payroll and related expenses

An analysis of payroll, employee benefits and employment statistics for Region III is displayed in Exhibit III-10. The productivity index, which is calculated by dividing total sales by net payroll and related expenses, fell slightly for Canadian and American properties but dropped sharply for the reporting Caribbean properties. This was largely due to major increases in staff and the corresponding increase in net payroll and related expenses. Also shown in this exhibit is the number of full-time equivalent employees per 100 available rooms for each department.

Undistributed operating expenses

Exhibit III-11 presents an analysis of the undistributed operating expenses for the three geographic areas analyzed in this region. Cost per available room, ratio to room sales and ratio to total sales for 1983 are shown together with the percentage variance from 1982. Canadian properties reported declines in all departments, as ratios to total sales, with the exception of the energy department. These costs rose over 18 percent in 1983. American properties, on the other hand, did not have as favorable results, reporting increases in almost all undistributed operating expenses (as ratios to total sales).

Exhibit III-11
Analysis of Undistributed Operating Expenses*
North America

	Total Region	Canada	United States	Caribbean
Administrative & General				
Cost Per Available Room				
Payroll & Related Expenses	$1,321	$1,110	$1,444	$1,902
Other	1,119	727	1,237	1,865
Total	2,473	1,811	2,646	3,772
Ratio to:				
Room Sales	18.2%	19.4%	17.4%	20.7%
Total Sales — 1983	9.6	8.8	9.7	10.0
Total Sales — 1982	9.1	8.9	9.1	10.5
Increase (Decrease)	5.5%	(1.1)%	6.6%	(4.8)%
Marketing				
Cost Per Available Room				
Payroll & Related Expenses	$ 443	$ 257	$ 523	$ 281
Other	955	674	1,002	1,383
Total	1,326	866	1,652	1,639
Ratio to:				
Room Sales	10.0%	8.6%	10.2%	11.9%
Total Sales — 1983	5.2	4.0	5.7	5.2
Total Sales — 1982	4.7	4.3	4.9	3.8
Increase (Decrease)	10.6%	(7.0)%	16.3%	36.8%
Energy Costs				
Cost Per Available Room	$1,326	$ 812	$1,450	$2,587
Ratio to:				
Room Sales	9.0%	9.5%	8.6%	12.7%
Total Sales — 1983	4.8	4.5	5.0	5.8
Total Sales — 1982	4.8	3.8	5.0	5.5
Increase (Decrease)	—	18.4%	—	5.5%
Property Operation & Maintenance				
Cost Per Available Room				
Payroll & Related Expenses	$ 695	$ 528	$ 735	$1,115
Other	754	652	842	1,347
Total	1,508	1,189	1,573	2,199
Ratio to:				
Room Sales	11.1%	11.1%	10.7%	15.4%
Total Sales — 1983	5.9	5.6	6.0	7.3
Total Sales — 1982	5.7	5.9	5.5	7.7
Increase (Decrease)	3.5%	(5.1)%	9.1%	(5.2)%

*All figures are medians and do not necessarily add to totals shown.
— No change.

Exhibit III-12
Energy Costs Per Occupied Room Per Day*
North America

	Total Region	Canada	United States	Caribbean
Fuel	$1.31	$1.49	$1.29	$1.10
Electricity	3.31	1.92	3.84	7.48
Water	0.46	0.25	0.47	1.12
Steam	2.14	2.86	2.08	0.10
Credit for Sale of Energy	0.19	0.13	0.27	0.60
Net Energy Cost — 1983	5.71	4.03	6.26	10.70
Net Energy Cost — 1982	$4.95	$3.40	$5.39	$5.98
Increase (Decrease)	15.4%	18.5%	16.1%	78.9%

*All figures are medians and do not necessarily add to totals shown.

Exhibit III-13
Method of Payment for Hotel Services*
North America

	Total Region	Canada	United States	Caribbean
Cash	28.4%	37.5%	21.7%	23.6%
Credit Card	45.2	43.0	50.9	29.1
Travel Agents & Tour Operators	10.8	5.6	8.5	39.1
All Other Credit	15.6	13.9	18.9	8.2

*Based on arithmetic mean.

Exhibit III-14
Credit Card Commission
Annual Cost Per Occupied Room*
North America

	Total Region	Canada	United States	Caribbean
Annual Cost Per Occupied Room	$242	$168	$274	$2,386
Ratio to Total Sales	0.7%	0.5%	0.7%	3.4%

*All figures are medians.

Energy costs per occupied room per day are presented in Exhibit III-12. Hotel operators in each of the three subregions reported significant increases in this measure from 1982 to 1983. The largest increases in energy costs were recorded in the categories of fuel and electricity expenses.

Credit and collection data

Hotels in the United States reported that over half of all guest accounts were settled with credit cards in 1983. Travelers in the U.S., particularly businessmen, have a definite preference for this method of payment. Travel agents and tour operators settled the largest portion of guest accounts in Caribbean properties, reflecting the high percentage of tourist travelers to this area. A detailed analysis of method of payment for hotel services is presented in Exhibit III-13.

Credit card commissions, presented both as an annual amount per occupied room and as a ratio to total sales, are shown in Exhibit III-14. This information illustrates the impact of credit card use on hotels.

Fixed charges

Exhibit III-15 shows a comparison by area of the median amounts per available room and ratios to total sales of fixed charges, which include rent, property taxes, insurance on building and contents, interest and depreciation. Both American and Canadian properties reported major declines in the ratio of fixed charges to total sales; however, in the case of the American hotels this decline is more a function of increasing sales rather than significant reductions in fixed costs.

Balance sheet statistics

The typical liquidity ratios, those used to measure the extent to which a company can cover current obligations, are listed in Exhibit III-16. The current position of reporting properties in each of the three subregions declined in 1983. The most significant drop was reported by American properties, from $1.20 in 1982 to $.97 in 1983. Exhibits III-17 and III-18 contain the median amounts per available room and ratios to total sales for North America. Again this year, management fees are analyzed as a separate line item in these exhibits.

Exhibit III-15
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales*
North America

	Total Region	Canada	United States	Caribbean
Amount Per Room				
Rent	$ 403	$ 389	$ 304	$ 819
Property Taxes	937	1,097	904	171
Insurance on Buildings & Contents	74	54	82	194
Interest Expense	1,306	613	1,688	604
Depreciation & Amortization	1,513	1,096	1,855	1,131
Total Fixed Charges	4,129	3,294	5,100	3,498
Ratio to Total Sales—1983	15.4%	15.1%	17.4%	11.4%
Ratio to Total Sales—1982	16.7	19.3	21.6	8.7
Increase (Decrease)	(7.8)	(21.8)	(19.4)	31.0

*All figures are medians and do not necessarily add to totals shown.

Exhibit III-16
Balance Sheet Statistics—Liquidity Ratios*
North America

	Total Region	Canada	United States	Caribbean
Current Position				
Ratio of Current Assets to Current Liabilities	$ .89	$ .78	$ .97	$ .96
Accounts Receivable				
Amount Per Room	$1,231	$ 627	$1,454	$3,841
Ratio to Total Sales	5.1%	3.1%	5.2%	9.9%
Food Inventory				
Amount Per Room	$ 104	$ 107	$ 92	$ 392
Annual Turnover	27.7	21.6	32.6	10.4
Beverage Inventory				
Amount Per Room	$ 128	$ 192	$ 90	$ 139
Annual Turnover	6.1	6.7	6.2	3.9
Operating Supplies Inventory				
Amount Per Room	$ 341	$ 254	$ 322	$ 802

*All figures are medians.

Exhibit III-17
Statement of Income and Expenses
Median Amounts
Per Available Room*
North America

	Total Region	Canada	United States	Caribbean
Rooms				
Sales	$12,939	$ 9,729	$14,448	$18,828
Departmental Expenses				
Payroll & Related Expenses	2,477	1,864	2,635	3,259
Other	1,162	798	1,318	2,392
Total	3,605	2,585	3,968	5,674
Departmental Income	9,426	6,904	10,632	13,073
Food & Beverage				
Sales				
Food	6,760	5,600	7,528	9,544
Beverage	2,944	3,112	2,843	3,320
Total	9,913	9,126	10,014	12,515
Cost of Sales				
Food	2,247	1,923	2,456	3,379
Beverage	723	961	572	837
Total	3,068	3,110	3,039	3,784
Gross Profit	6,746	6,036	7,072	8,874
Public Room Sales	193	255	179	20
Other Income	103	110	87	154
Gross Profit & Other Income	7,084	6,272	7,346	8,953
Departmental Expenses				
Payroll & Related Expenses	4,429	3,553	4,527	6,448
Other	1,193	984	1,223	1,484
Total	5,694	4,865	5,846	7,820
Departmental Income	1,393	1,276	1,495	1,457
Telephone Departmental Income	(187)	(195)	(171)	(313)
Net Income From Minor Operated Departments	63	130	51	42
Rentals & Other Income	315	202	320	745
Gross Income	11,288	9,153	13,025	16,844
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	1,321	1,110	1,444	1,902
Other	1,119	727	1,237	1,865
Total	2,473	1,811	2,646	3,772
Marketing	1,326	866	1,652	1,639
Energy Costs	1,326	812	1,450	2,587
Property Operation & Maintenance	1,508	1,189	1,573	2,199
Total Undistributed Expenses	6,862	4,733	7,564	11,317
Income Before Management Fees	5,431	3,855	6,304	5,430
Management Fees	772	489	822	1,283
Income Before Fixed Charges	5,010	3,500	5,836	4,352
Property Taxes and Insurance	1,011	1,152	986	364
Income Before Interest and Depreciation	$2,630	$2,481	$3,270	$2,589

*All figures are medians and do not necessarily add to totals shown.

Exhibit III-18
Ratio to Total Sales*
North America

All ratios are based on total sales except those of the rooms and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

	Total Region	Canada	United States	Caribbean
Rooms				
Sales	100.0%	100.0%	100.0%	100.0%
Departmental Expenses				
Payroll & Related Expenses	18.4	18.6	18.4	15.0
Other	9.1	8.0	9.2	14.3
Total	27.8	27.7	27.9	27.8
Departmental Income	72.2	72.3	72.2	72.2
Ratio to Total Sales	39.1	36.0	40.6	34.6
Food & Beverage				
Sales				
Food	70.5	64.2	72.6	74.1
Beverage	29.9	35.8	27.7	25.9
Total	100.0	100.0	100.0	100.0
Cost of Sales				
Food	33.5	33.8	33.1	35.8
Beverage	24.2	30.9	21.2	25.8
Total	31.3	33.3	30.1	33.1
Gross Profit	68.7	66.7	69.9	66.9
Public Room Sales	2.0	3.2	1.9	0.2
Other Income	1.0	1.6	0.9	1.3
Gross Profit & Other Income	71.3	70.1	72.4	68.7
Departmental Expenses				
Payroll & Related Expenses	43.8	41.5	44.4	44.9
Other	11.6	10.4	11.9	14.7
Total	55.8	53.7	57.1	58.4
Departmental Income	16.6	17.5	15.7	10.2
Ratio to Total Sales	5.9	7.0	5.7	3.6
Telephone Departmental Profit	(0.7)	(0.9)	(0.6)	(0.7)
Net Income From Minor Operated Departments	0.2	0.6	0.2	0.2
Rentals & Other Income	1.3	1.1	1.4	2.5
Gross Income	47.9	44.3	49.2	45.4
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	5.0	4.7	5.1	5.1
Other	4.1	3.5	4.3	5.4
Total	9.6	8.8	9.7	10.0
Marketing	5.2	4.0	5.7	5.2
Energy Costs	4.8	4.5	5.0	5.8
Property Operation & Maintenance	5.9	5.6	6.0	7.3
Total Undistributed Expenses	25.8	24.0	27.3	29.0
Income Before Management Fees	22.5	21.1	23.9	18.1
Management Fees	3.0	2.9	3.0	2.5
Income Before Fixed Charges	20.6	21.1	21.2	16.7
Property Taxes and Insurance	3.8	6.0	3.2	1.1
Income Before Interest and Depreciation	13.0%	14.3%	13.4%	8.3%

*All figures are medians and do not necessarily add to totals shown.

Region III
Currency Conversion Tables
1983 vs. 1982 Percentage of Change
North America

	1983 Factor [$US/(x)]	1982 Factor [$US/(x)]	Percentage of Change
Subregion 1—Canada			
Canada	0.80360	0.81340	(1.2)%
Subregion 2—United States			
United States	1.00000	1.00000	0%
Subregion 3—Caribbean			
Bahamas	1.00000	1.00000	0%
Barbados	0.49719	0.49720	(0.1)%
Bermuda	1.00000	1.00000	0%
Guadeloupe	0.11980	0.14860	(19.4)%
Jamaica	0.32000	0.56140	(43.0)%
Netherlands Antilles	0.55556	0.55560	(0.1)%
Puerto Rico	1.00000	1.00000	0%
Trinidad & Tobago	0.41667	0.41670	(0.1)%
British Virgin Islands	1.45060	1.61450	(10.2)%
U.S. Virgin Islands	1.00000	1.00000	0%

Source: *International Financial Statistics*, December 1983, December 1982.

REGION IV: EUROPE

Profile of contributors

The financial and statistical analysis of the European contributions to this study is presented in this fourth section. The European subregions are Continental Europe, Scandinavia and the United Kingdom. Exhibit IV-1 profiles the typical Region IV contributor, and highlights of the analysis of operating results are shown in Exhibit IV-2.

While room occupancy remained constant compared with 1982 results, total revenues for the region declined 3.9 percent per room. Unfavorable currency exchange rates contributed to this decline in revenues; however, this has also been a significant factor in prior editions of this study. Profit margins for hotels in Region IV were good, as income before income taxes rose 32.5 percent per room.

A presentation of source and distribution of the lodging dollar is provided for Region IV in Chart 8. In 1983, European hotels derived 52.4 percent of their revenues from room sales, a modest increase compared with 1982 results. The distribution of the dollar reveals higher 1983 profit margins for European hotels, as income before income taxes rose 50 percent, from 7.4 percent in 1982 to 11.1 percent in 1983. This increase in profit margins can be traced to reduced payroll and undistributed operating expenses.

Guests in Continental European hotels were predominantly foreign travelers, while domestic travelers were the principal hotel patrons in Scandinavian and United Kingdom properties. The section pertaining to market composition is characterized by a pattern of consistency as each subregion reported that business travel generated the largest segment of the market, followed by tourists and conference participants. Direct reservations to the hotel were the primary method of advance reservations at hotels, with travel agents and tour operators reported as the second most popular means for booking hotel accommodations. The complete presentation of market data is given in Exhibit IV-3.

Exhibit IV-1
General Profile of Typical Contributor Based on Various Measures of Central Tendency
Europe

Criteria	Category of Typical Contributor
Age	Built after 1969
Size	Under 150 rooms
Occupancy	60%–69%
Average Rate	$35.00 to $44.99 (U.S.)
Sales Volume	$4 million to $6 million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is over 100% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1983

Exhibit IV-2
Highlights*
Europe

- Total revenue decreased 3.9 percent on a per room basis.
- Room occupancy remained unchanged at 65.4 percent in 1983.
- The average daily rate per occupied room was $38.96, a decline of 1.4 percent from 1982.
- Payroll and related expenses per room dropped 0.4 percent from $11,563 to $11,521 in 1983.
- Income before income taxes rose 32.5 percent on a per room basis.

*Based on medians.

Exhibit IV-3
Market Data*
Europe

	Total Region	Continental Europe	Scandanavia	United Kingdom**
Source of Business				
Domestic	45.9%	37.0%	62.5%	52.5%
Foreign	54.1	63.0	37.5	47.5
Percentage of Repeat Business	38.8%	36.8%	51.6%	38.3%
Composition of Market				
Government Officials	5.5%	4.7%	14.4%	2.9%
Businessmen	46.4	48.5	45.1	41.2
Tourists	25.7	24.8	20.5	31.0
Conference Participants	14.7	14.3	18.2	13.8
Other	7.7	7.7	1.8	11.1
Percentage of Advance Reservations	89.5%	89.4%	93.6%	88.1%
Composition of Advance Reservations				
Direct	42.9%	41.5%	57.3%	39.9%
Reservation Systems	24.0	25.2	13.8	25.5
Travel Agents & Tour Operators	27.8	27.1	26.4	30.0
Other	5.3	6.2	2.5	4.6
Ratio of Travel Agent Commissions to Room Sales	1.4%	1.4%	1.4%	1.4%

*Arithmetic mean.

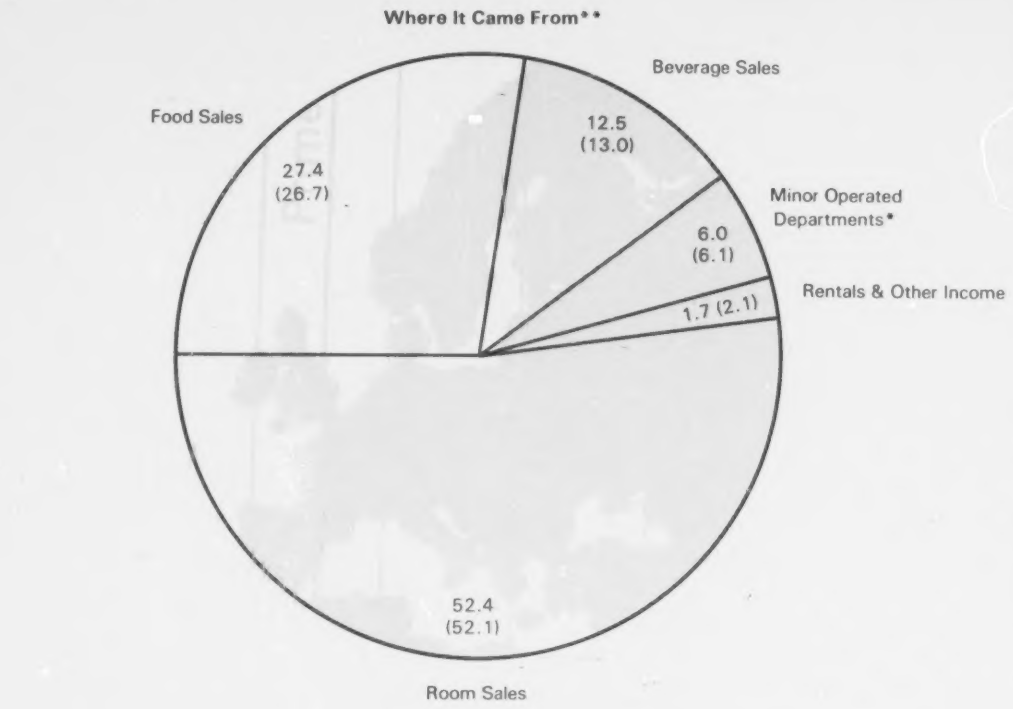
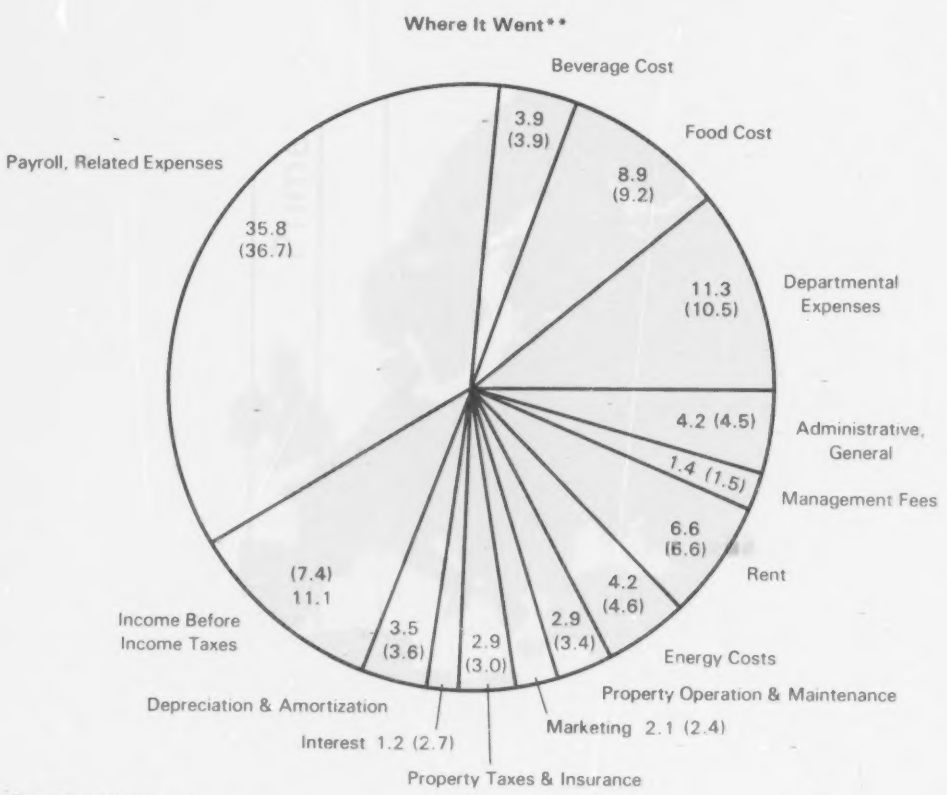


Chart 8: Europe
Percentage Distribution of Revenue and Expenses



*Including telephone
**1982 percentages in parentheses

Exhibit IV-4
Nationality of Guests—1983*
All Hotels—Europe

	Rank		Total	Continental		United
	1983	1982	Region	Europe	Scandanavia	Kingdom
British	1	1	18.7%	8.7%	4.4%	49.5%
American	2	4	17.6	18.9	7.8	21.7
Scandinavian	3	3	16.7	3.7	75.0	2.3
German	4	2	15.4	25.5	4.0	2.8
Other European	5	5	8.6	12.6	4.0	3.7
French	6	6	5.2	8.0	1.3	2.2
Middle Eastern	7	8	4.0	5.0	0.3	4.5
Japanese	8	9	2.8	3.6	0.6	2.6
Italian	9	7	2.8	3.9	0.7	2.0
Canadian	10	11	1.9	1.7	0.4	3.4
Other Asian	11	10	1.8	2.5	0.2	1.6
Other African	12	14	1.0	1.3	0.3	1.5
Australasian	13	13	1.0	1.0	0.4	0.8
South American	14	12	0.9	1.4	0.1	0.4
North African	15	15	0.8	1.1	0.1	0.6
Central American	16	16	0.6	0.8	0.3	0.3
Mexican	17	17	0.2	0.3	0.1	0.1

*Arithmetic mean.

Exhibit IV-4 presents the nationality of guests in the European hotel market during 1983. There was some slight reshuffling throughout the table, but no dramatic changes occurred in the 1983 rankings. For the second year, the British represented the largest segment of travelers in the total sample. In general, however, hotels in all areas reported that people residing in neighboring countries were the most frequent visitors.

Performance measurements

A comparison of the sales and profitability of the hotels in Region IV is presented in Exhibit IV-5. For the most part, properties in each of the subregions reported slight decreases in total sales per available room. Continental European hotels provided the only exception with a slight (less than a 1 percent) increase in total sales reported for 1983. An analysis of net income before income taxes shows that both Continental Europe and the United Kingdom operations posted

Exhibit IV-5
Comparison of Sales and Profitability*—Europe

	Total Region		Continental Europe		Scandinavia		United Kingdom	
	1983	1982	1983	1982	1983	1982	1983	1982
Amounts Per Available Room								
Total Sales	$18,832	$19,593	$20,250	$20,186	$17,251	$19,800	$18,639	$19,118
Income Before Fixed Charges	4,655	4,432	4,318	4,271	4,285	4,788	5,294	4,310
Net Income** (Loss)	$ 2,383	$ 1,798	$ 1,098	$ 1,007	$ 1,829	$ 2,211	$ 3,466	$ 2,055
Ratio of Income Before Fixed Charges								
Room Sales	49.4%	47.4%	41.3%	41.5%	49.1%	55.2%	59.1%	49.8%
Total Sales	24.6	23.1	21.7	21.7	21.7	25.4	28.0	23.4
Number of Times Average Rate Was Earned	120	118	104	106	116	141	134	120
Increase (Decrease)	1.7%		(1.9)%		(17.7)%		11.7%	

*All figures are medians. **Before income tax.

Exhibit IV-6
Occupancy, Double Occupancy, Room Rates*—Europe

	Total Region		Continental Europe		Scandinavia		United Kingdom	
	1983	1982	1983	1982	1983	1982	1983	1982
Annual Room Occupancy	65.4%	65.4%	67.5%	69.8%	64.2%	67.6%	63.7%	62.4%
Number of Guests Per Room	1.31	1.33	1.34	1.36	1.30	1.30	1.30	1.33
Average Daily Rate								
Per Room (U.S. Dollars)	$38.96	$39.52	$42.75	$43.97	$35.08	$34.43	$37.35	$37.14
Per Guest (U.S. Dollars)	28.96	30.44	34.84	35.73	27.13	28.53	27.97	27.83

*All figures are medians.

increases over 1982 results, while Scandinavia had a 17 percent decrease in net income.

The income measures reported by properties in the three subregions indicate that the decline in total sales was probably more a function of decreased currency values than of significant decreases in room night demand.

As shown by the ratios of income before fixed charges to total sales and to room sales, profit margins increased for properties located in the United Kingdom, remained virtually the same for those in the Continental European subregion, and decreased for hotels in Scandinavia. Only United Kingdom hotels reported an increase in the number of times the average rate was earned.

Exhibit IV-6 displays occupancy, double occupancy and room rate information. Properties in the United Kingdom reported a 2.1 percent rise in occupancy, from 62.4 percent in 1982 to 63.7 percent in 1983. Scandinavian and Continental European hotels had declines of 5 percent and 3 percent, respectively. There were modest increases in the average daily rate per room for the Scandinavian and United Kingdom subregions, while properties in Continental Europe reported a slight decrease in room rates for 1983.

Chart 9 graphically presents the 1982 and 1983 occupancy rates for each of the subregion in this section.

Analysis of sales

For the second year, properties located in Continental Europe derived a larger percent of revenue from room sales than did hotel operations in Scandinavia and the United Kingdom. Exhibit IV-7 presents this composition of Region IV hotel sales in more detail. Participating properties from Scandinavia received more of their total revenue from food and bever-

Exhibit IV-7
Composition of Sales*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Rooms	50.2%	53.1%	45.4%	48.9%
Food	29.3	26.5	32.5	30.9
Beverage	14.2	12.1	17.0	15.3
Telephone	3.3	5.0	1.8	2.2
Minor Operated Departments	1.7	1.6	2.9	1.6
Rentals & Other Income	1.3	1.7	0.4	1.1
Total	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

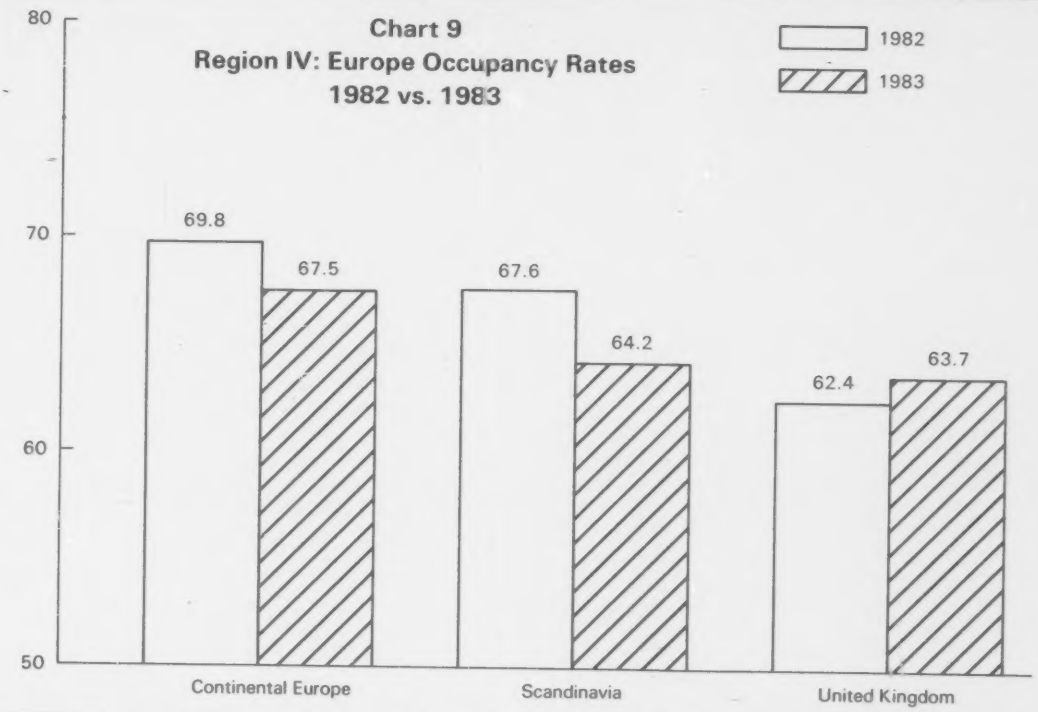


Exhibit IV-8
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Telephone				
Amount Per Available Room				
Sales	$622	$1,064	$420	$411
Cost of Sales				
Cost of Calls	444	627	182	306
Equipment Rental	88	42	69	110
Total	465	606	232	370
Payroll & Related Expenses	148	166	185	144
All Other Expenses	6	7	8	3
Total Cost & Expenses	554	781	229	452
Net Departmental Income (Loss)	$ 68	$ 173	$201	$(25)
Ratio to Total Sales				
Sales	3.4%	5.0%	2.9%	2.2%
Cost of Sales	2.4	3.2	1.6	2.1
Payroll & Related Expenses	0.8%	0.8%	0.8%	0.7%
Minor Operated Departments				
Amount Per Available Room				
Sales	$318	$ 312	$532	$311
Cost of Sales	109	106	95	116
Payroll & Related Expenses	119	104	166	227
Other Expenses	36	15	266	30
Total Costs & Expenses	156	168	243	131
Net Departmental Income	$140	$ 115	$199	$163
Ratio to Total Sales				
Sales	1.6%	1.4%	2.8%	1.6%
Cost of Sales	0.6	0.5	0.5	0.7
Payroll & Related Expenses	0.5%	0.5%	1.0%	0.6%
Rentals & Other Income				
Amount Per Available Room				
Space Rentals	$ 76	$ 95	$ 74	$ 32
Concessions	65	57	261	94
Commissions	19	16	280	23
Other	151	175	46	100
Total Rentals & Other Income	$218	$ 342	$ 86	$150
Ratio to Total Sales	1.1%	1.5%	0.8%	0.7%

*All figures are medians and do not necessarily add to totals shown.

age sales than did hotels in other parts of Europe. In fact, the combined food and beverage sales for Scandinavian hotels contributed more to their total revenues than room sales.

Exhibit IV-8 analyzes revenue and expenses for telephone and other minor operated departments on the basis of amounts per available room and as a ratio to total sales. Hotels in Continental Europe and Scandinavia earned a profit from telephone operations, while properties in the United Kingdom reported a loss for the second consecutive year. Departmental income from all other minor operated departments was up in every subregion for 1983.

Exhibit IV-9
Food and Beverage Statistics*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Food Sales—By Facility				
Amount Per Available Room				
Dining Room	$3,457	$3,097	$4,774	$3,590
Room Service	588	605	453	575
Banquet	1,146	1,270	1,326	1,061
Bar/Lounge	112	103	279	130
Total	$4,935	$4,732	$4,666	$5,091
Ratio to Total Food Sales				
Dining Room	67.6%	63.5%	83.1%	69.5%
Room Service	10.7	12.5	5.4	10.7
Banquet	22.7	25.5	18.7	19.0
Bar/Lounge	2.1%	1.9%	4.2%	2.2%
Amount Per Seat				
Dining Room	$4,839	$4,919	$4,652	$4,839
Banquet	707	662	846	775
Bar/Lounge	300	285	400	450
Total	$1,942	$1,917	$1,951	$2,553
Average Check				
Dining Room	$ 7.41	$ 7.07	$11.33	$ 7.49
Room Service	5.02	5.19	5.89	4.42
Banquet	8.96	7.98	15.10	9.54
Total	$ 7.31	$ 6.90	$ 7.79	$ 7.86
Covers Served Per Seat				
Dining Room	668	658	328	717
Banquet	82	82	101	80

*All figures are medians and do not necessarily add to totals shown.

Restaurant operations

Exhibit IV-9 gives food and beverage statistics for those Region IV hotels providing the detail. Food sales per available room and per seat by restaurant are given together with the average sale per customer (average check) and number of persons served (covers) per seat. Analysis of the results shows that price and capacity are the factors that determine the relative importance of the food and beverage operation. Not only do those hotels with high restaurant volumes in relation to room sales obtain higher sales per customer, they also have considerably more seats in relation to the number of guest rooms.

The combination of cash payroll and cost of sales (sometimes referred to as "prime cost") is a frequently used measurement in restaurant operations. The upper limit of these costs is generally set at 65 percent of food and beverage sales for a profitable operation; however, it varies considerably as a result of many factors.

An analysis of 1983 European results reveals that properties in the United Kingdom had higher total food sales as an amount per available room than did Continental Europe or Scandinavian hotels, although Scandinavian properties had higher total beverage sales. United Kingdom operations also had a slightly higher average check than that reported by the other subregions.

Exhibit IV-9 (continued)
Food and Beverage Statistics*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Room Service Sales				
Per Occupied Room				
Food	$ 2.44	$ 2.35	$ 1.66	$ 2.48
Beverage	.52	.73	.41	.41
Total	$ 2.68	$ 2.84	$ 2.09	$ 2.34
Per Guest				
Food	$ 1.98	$ 1.92	$ 1.88	$ 2.05
Beverage	.37	.47	.47	.17
Total	$ 2.07	$ 2.37	$ 2.35	$ .91
Beverage Sales—By Facility				
Amount Per Available Room				
Dining Room	$ 777	$ 754	$1,776	$ 645
Room Service	135	175	102	102
Banquet	524	542	614	522
Bar/Lounge	1,041	918	1,630	1,145
Total	$2,471	$2,214	$3,215	$2,498
Ratio to Total Beverage Sales				
Dining Room	28.3%	28.7%	54.2%	26.2%
Room Service	5.6	9.1	1.8	4.5
Banquet	20.8	21.3	14.6	20.7
Bar/Lounge	39.9%	33.6%	34.4%	43.2%
Ratio to Food Sales				
Dining Room	22.2%	24.7%	35.4%	17.7%
Room Service	27.7	23.8	26.7	28.9
Banquet	49.4	46.1	64.9	51.3
Total (Including Bar/Lounge)	48.3%	47.7%	69.7%	48.0%
Amount Per Seat				
Dining Room	$1,107	$1,168	$1,349	$ 864
Banquet	331	306	421	383
Bar/Lounge	2,569	2,711	4,180	2,165
Total	$ 963	$ 909	$ 902	$1,113

*All figures are medians and do not necessarily add to totals shown.

Exhibit IV-10
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Payroll & Related Expenses				
Amount Per Room Cash Payroll	$ 5,260	$ 5,575	$ 4,172	$ 5,352
Net Payroll & Related Expenses**	6,859	7,274	7,261	6,105
Employee Benefits—Ratio to Cash Payroll	43.2%	45.4%	72.6%	32.9%
Cost Per Employee				
Cash Payroll	$ 8,594	$ 8,597	$ 8,992	$ 8,530
Net Payroll & Related Expenses**	11,521	11,493	13,402	10,862
Employment Statistics				
Sales Per Employee				
Rooms	$49,893	$49,732	$65,920	$49,155
Food & Beverage	24,910	24,348	28,945	24,345
Telephone	75,018	84,892	69,468	45,577
Minor Operated Departments	35,605	34,114	41,823	39,601
Total Sales Per Employee	$31,345	$29,722	$34,324	$31,627
Productivity Index				
1983	2.79	2.67	2.60	3.16
1982	2.79	2.64	2.81	2.59
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	21.6	21.6	15.9	26.7
Food & Beverage	33.8	33.7	25.4	42.6
Telephone	1.6	1.4	0.9	2.1
Minor Operated Departments	1.2	1.0	1.7	1.7
Administrative & General	7.5	7.6	2.7	8.4
Marketing—Sales	1.2	1.4	1.0	0.9
Marketing—Other	0.5	0.5	1.6	0.5
Property Operation & Maintenance	3.6	4.1	0.9	3.8
Personnel	1.0	0.9	0.4	1.3
House Laundry	2.7	2.8	3.0	2.1
Other	0.3	0.3	0.0	0.2
Total	69.4	71.6	55.4	91.6

*Based on those supplying data. All figures are medians and do not necessarily add to totals shown.
**After credit for service charges.

Payroll and related expenses

The results provided in Exhibit IV-10 for cash payroll, employee benefits, total payroll and employment statistics closely parallel the reported results for 1982. For example, for the second consecutive year, Continental European properties had the highest net payroll; Scandinavian properties had the highest costs per employee, the fewest number of full-time equivalent employees per 100 available rooms and the highest total sales per employee.

From 1982 to 1983, the productivity index, obtained by dividing total sales by net payroll and related expenses, rose 22 percent for United Kingdom hotels, remained virtually the same for Continental European properties, and declined 7.5 percent in Scandinavia.

Undistributed operating expenses

An analysis of the undistributed operating expenses for European hotels participating in this year's study is displayed in Exhibit IV-11. In 1983 administrative and general expenses increased in relation to total sales for Continental European and Scandinavian hotels, but decreased for United Kingdom properties. The most variation among the three subregions was observed in the category of ratio of marketing to total room sales. United Kingdom hotels had a 92.9 percent increase over 1982, Continental European properties had only an 8.6 percent increase and Scandinavian operations reported a 51.2 percent decline. Energy expenses per available room increased only for Scandi-

Exhibit IV-11
Analysis of Undistributed Operating Expenses*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Administrative & General				
Cost Per Available Room				
Payroll & Related Expenses	$ 851	$1,020	$ 682	$ 819
Other	733	750	551	779
Total	$1,632	$1,878	$1,147	$1,651
Ratio to:				
Room Sales	17.4%	17.7%	15.0%	17.5%
Total Sales — 1983	8.6	8.9	6.8	8.6
Total Sales — 1982	9.0	8.6	6.4	9.4
Increase (Decrease)	(4.4)%	(3.5)%	6.3%	(8.5)%
Marketing				
Cost Per Available Room				
Payroll & Related Expenses	$ 197	$ 226	$ 239	$ 154
Other	557	567	499	546
Total	$ 694	$ 770	$ 467	$ 622
Ratio to:				
Room Sales	6.3%	6.8%	4.6%	6.0%
Total Sales — 1983	3.1	3.8	2.0	2.7
Total Sales — 1982	2.4	3.5	4.1	1.4
Increase (Decrease)	29.2%	8.6%	(51.2)%	92.9%
Energy Costs				
Cost Per Available Room	$ 844	$ 954	$ 669	$ 794
Ratio to:				
Room Sales	9.0%	8.9%	8.8%	9.3%
Total Sales — 1983	4.3	4.5	3.9	4.3
Total Sales — 1982	4.7	5.0	3.5	4.7
Increase (Decrease)	(8.5)%	(10.0)%	11.4%	(8.5)%
Property Operation & Maintenance				
Cost Per Available Room				
Payroll & Related Expenses	$ 378	$ 492	$ 183	$ 300
Other	579	621	464	564
Total	$ 927	$1,194	$ 648	$ 858
Ratio to:				
Room Sales	9.9%	10.9%	8.9%	9.2%
Total Sales — 1983	4.8	6.1	3.7	4.6
Total Sales — 1982	5.1	5.8	3.0	4.7
Increase (Decrease)	(5.9)%	5.2%	23.3%	(2.1)%

*All figures are medians and do not necessarily add to totals shown.

Exhibit IV-12
Energy Costs Per Occupied Room Per Day*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Fuel	$1.37	$1.04	$1.64	$1.55
Electricity	1.68	1.80	1.06	1.63
Water	0.38	0.54	0.48	0.26
Steam	1.29	1.29	1.15	0.86
Credit for Sale of Energy	0.15	0.22	0.04	0.15
Net Energy Cost — 1983	3.73	3.86	3.04	3.78
Net Energy Cost — 1982	$4.03	$4.16	$2.88	$4.21
Increase (Decrease)	(7.4)%	(7.3)%	(5.6)%	(10.2)%

*All figures are medians and do not necessarily add to totals shown.

Exhibit IV-13
Method of Payment for Hotel Services*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Cash	31.1%	33.5%	35.6%	23.8%
Credit Card	33.7	32.8	32.7	36.1
Travel Agents & Tour Operators	14.4	14.9	14.4	13.2
All Other Credit	20.8	18.8	17.3	26.9

*Based on arithmetic mean.

Exhibit IV-14
Credit Card Commission
Annual Cost Per Occupied Room*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Annual Cost Per Occupied Room	156	194	127	154
Ratio to Total Sales	0.7%	0.7%	0.7%	0.7%

*All figures are medians.

navian properties—an 11.4 percent rise compared with 1982 figures.

Exhibit IV-12 presents detailed information concerning energy costs per occupied room per day. The net 1983 energy expenses ranged from 3.04 to 3.86 for the three European subregions.

Credit and collection data

As shown in Exhibit IV-13, guests in Scandinavia and Continental Europe used cash to pay for hotel services and accommodations more frequently than they used other methods of payment, while United Kingdom hotel patrons preferred to use credit cards. The ratio for credit card commissions to total sales and the annual cost per occupied room are presented in Exhibit IV-14.

Fixed charges

Exhibit IV-15 provides information on fixed charges by amount per room and as ratios to total sales. Total fixed charges per available room decreased in 1983 for all subregions compared with 1982 results.

Balance sheet statistics

The more significant balance sheet ratios, those used to measure the extent to which a company can cover current obligations, are listed in Exhibit IV-16.

Exhibits IV-17 and IV-18 show the statements of income and expenses both per available room and as ratios to total sales for the European hotels participating in this year's study.

Exhibit IV-15
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Amount Per Room				
Rent	$1,174	$1,724	$1,892	$ 695
Property Taxes	576	169	259	725
Insurance on Buildings & Contents	71	63	126	70
Interest Expense	169	159	185	314
Depreciation & Amortization	706	808	453	637
Total Fixed Charges	$2,151	$2,742	$2,337	$1,823
Ratio to Total Sales—1983	10.1%	14.0%	11.8%	9.2%
Ratio to Total Sales—1982	11.5	14.1	13.0	10.3
Increase (Decrease)	(12.2)%	(0.7)%	(9.2)%	(10.7)%

*All figures are medians and do not necessarily add to totals shown.

Exhibit IV-16
Balance Sheet Statistics—Liquidity Ratios*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Current Position				
Ratio of Current Assets to Current Liabilities	$ 0.98	$ 1.07	$0.73	$ 0.90
Accounts Receivable				
Amount Per Room	$1,462	$1,453	$ 557	$1,765
Ratio to Total Sales	7.1%	7.2%	3.1%	7.9%
Food Inventory				
Amount Per Room	$ 77	$ 76	$ 146	$ 73
Annual Turnover	27.6	24.0	21.2	34.6
Beverage Inventory				
Amount Per Room	$ 162	$ 186	$ 142	$ 157
Annual Turnover	3.9	2.8	3.6	6.1
Operating Supplies Inventory				
Amount Per Room	$ 202	$ 201	$ 176	$ 214

*All figures are medians.

Exhibit IV-17
Statement of Income and Expenses
Median Amounts
Per Available Room*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Rooms				
Sales	$9,435	$10,672	$7,792	$8,760
Departmental Expenses				
Payroll & Related Expenses	1,888	2,066	1,961	1,730
Other	857	1,008	700	764
Total	2,736	3,047	2,738	2,468
Departmental Income	6,756	7,311	5,097	6,394
Food & Beverage				
Sales				
Food	4,942	4,732	4,666	5,091
Beverage	2,487	2,214	3,215	2,498
Total	7,644	6,903	7,888	7,783
Cost of Sales				
Food	1,746	1,643	1,975	1,777
Beverage	756	466	762	983
Total	2,471	2,086	2,562	2,795
Gross Profit	5,026	4,821	5,246	5,013
Public Room Sales	193	147	187	279
Other Income	91	104	196	43
Gross Profit & Other Income	5,413	5,327	5,977	5,310
Departmental Expenses				
Payroll & Related Expenses	3,109	3,441	3,904	2,740
Other	545	681	1,067	414
Total	3,641	4,186	5,164	3,180
Departmental Income	1,571	1,097	983	2,338
Telephone Departmental Income	68	173	201	(25)
Net Income From Minor Operated Departments	140	115	199	163
Rentals & Other Income	218	342	86	150
Gross Income	9,040	9,334	7,270	9,064
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	856	1,020	682	819
Other	737	750	551	779
Total	1,642	1,878	1,147	1,651
Marketing	695	770	467	622
Energy Costs	847	954	669	794
Property Operation & Maintenance	927	1,194	648	858
Total Undistributed Expenses	4,048	5,044	2,926	3,735
Income Before Management Fees	4,860	4,486	4,304	5,366
Management Fees	744	627	981	950
Income Before Fixed Charges	4,655	4,318	4,285	5,294
Property Taxes and Insurance	649	222	475	796
Income Before Interest and Depreciation	$3,386	$ 2,380	$2,733	$3,870

*All figures are medians and do not necessarily add to totals shown.

Exhibit IV-18
Ratio to Total Sales*
Europe

All ratios are based on total sales except those of the rooms and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

	Total Region	Continental Europe	Scandinavia	United Kingdom
Rooms				
Sales	100.0%	100.0%	100.0%	100.0%
Departmental Expenses				
Payroll & Related Expenses	20.0	20.4	23.3	19.1
Other	9.0	9.0	9.4	8.7
Total	29.3	30.2	33.7	27.6
Departmental Income	70.7	69.8	66.3	72.4
Ratio to Total Sales	36.3	36.9	29.2	36.4
Food & Beverage				
Sales				
Food	67.5	67.7	58.9	67.6
Beverage	32.5	32.3	41.1	32.4
Total	100.0	100.0	100.0	100.0
Cost of Sales				
Food	34.4	33.5	40.4	34.4
Beverage	29.0	20.9	25.3	38.5
Total	33.3	29.4	33.8	35.6
Gross Profit	66.7	70.6	66.2	64.4
Public Room Sales	2.7	1.9	2.2	3.3
Other Income	1.2	1.4	2.0	0.7
Gross Profit & Other Income	70.4	73.3	76.6	67.1
Departmental Expenses				
Payroll & Related Expenses	41.8	47.9	51.0	33.7
Other	8.0	9.5	13.4	5.7
Total	50.2	58.0	62.9	39.0
Departmental Income	21.4	17.4	13.4	27.1
Ratio to Total Sales	8.2	6.3	6.1	12.8
Telephone Departmental Profit	0.3	0.9	1.5	(0.1)
Net Income From Minor Operated Departments	0.7	0.5	0.9	0.9
Rentals & Other Income	1.1	1.5	0.8	0.7
Gross Income	47.5	47.2	40.2	50.2
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	4.5	4.8	3.3	4.4
Other	3.8	3.7	2.8	4.1
Total	8.6	8.9	6.8	8.6
Marketing	3.1	3.8	2.0	2.7
Energy Costs	4.3	4.5	3.9	4.3
Property Operation & Maintenance	4.8	6.1	3.7	4.6
Total Undistributed Expenses	21.7	23.8	15.5	20.6
Income Before Management Fees	26.0	23.0	22.5	28.7
Management Fees	3.8	3.5	3.7	4.0
Income Before Fixed Charges	24.6	21.7	21.7	28.0
Property Taxes & Insurance	3.4	1.5	1.3	4.1
Income Before Interest and Depreciation	16.7%	11.6%	12.9%	20.9%

*All figures are medians and do not necessarily add to totals shown.

Region IV
Currency Conversion Tables
1983 vs. 1982 Percentage of Change
Europe

	1983 Factor [$US/(x)]	1982 Factor [$US/(x)]	Percentage of Change
Subregion 1—Continental Europe			
Austria	0.05170	0.05990	(13.7)%
Belgium	0.01797	0.02130	(15.6)%
France	0.11980	0.14860	(19.4)%
Germany	0.36713	0.42070	(12.7)%
Greece	0.01014	0.01370	(26.0)%
Italy	0.00060	0.00070	(14.3)%
Luxembourg	0.01797	0.02010	(10.6)%
Monaco	*	*	*
Netherlands	0.32632	0.35900	(9.1)%
Portugal	0.00760	0.01100	(30.9)%
Switzerland	0.45882	0.45140	1.6%
Subregion 2—Scandinavia			
Denmark	0.10127	0.11930	(15.1)%
Finland	0.17212	0.18900	(8.9)%
Iceland	0.03488	0.06020	(42.1)%
Norway	0.12916	0.13800	(6.4)%
Sweden	0.12498	0.13450	(7.1)%
Subregion 3—United Kingdom			
Ireland	1.15250	1.35550	(15.0)%
United Kingdom	1.45060	1.61450	(10.2)%

Source: *International Financial Statistics*, December 1983, December 1982.
*Reported in U.S. Dollars. Conversion factor not available.

REGION V: LATIN AMERICA

Profile of contributors

An analysis of data and information for Latin American properties is presented in this section. The two subregions highlighted are Mexico and Central and South America. (Response was not sufficient to present information for Central and South America as separate subregions.) Medians are shown for most amounts and ratios in the tables, while the arithmetic means are used when appropriate.

Exhibit V-1 gives a profile of the typical Latin American property contributing to this year's study. A synopsis of the analyzed operating results is presented in Exhibit V-2. Although increases were reported for total revenues, average daily rate per room and income before income taxes, room occupancy declined significantly for the contributing properties. The median occupancy rate dropped sharply to 59.6 percent contrasted to the 72 percent figure reported in 1982.

The source and distribution of the lodging dollar are presented in Chart 10. The breakdown of sources of revenue changed very little from last year; however, the contributing hotels reported substantially higher income before income taxes than in 1982, resulting in an average increase of 71.6 percent. This sharp increase is largely the result of reduced payroll and rent expenses.

Market source and composition is presented in Exhibit V-3. The results were similar to those reported last year, with the percentage of guests from domestic sources higher for Central and South American properties than for Mexican

Exhibit V-1
General Profile of Typical Contributor Based on Various Measures of Central Tendency—Latin America

Criteria	Category of Typical Contributor
Age	Built after 1969
Size	300–600 rooms
Occupancy	Between 65% and 75%
Average Rate	$45.00 and over (U.S.)
Sales Volume	Over $6 million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is between 50% and 74% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1983

Exhibit V-2
Highlights* Latin America

- Total revenue per room increased nearly 5.0%.
- Room occupancy declined 17.2 percent to 59.6 percent compared with 72.0 percent in 1982.
- The average daily rate per occupied room was $49.69 compared with $42.64 in 1982, an increase of 16.5 percent.
- Payroll and related expenses per room rose 7.9 percent from $4,092 to $4,415.
- Income before income taxes rose 23.8 percent on a per room basis.

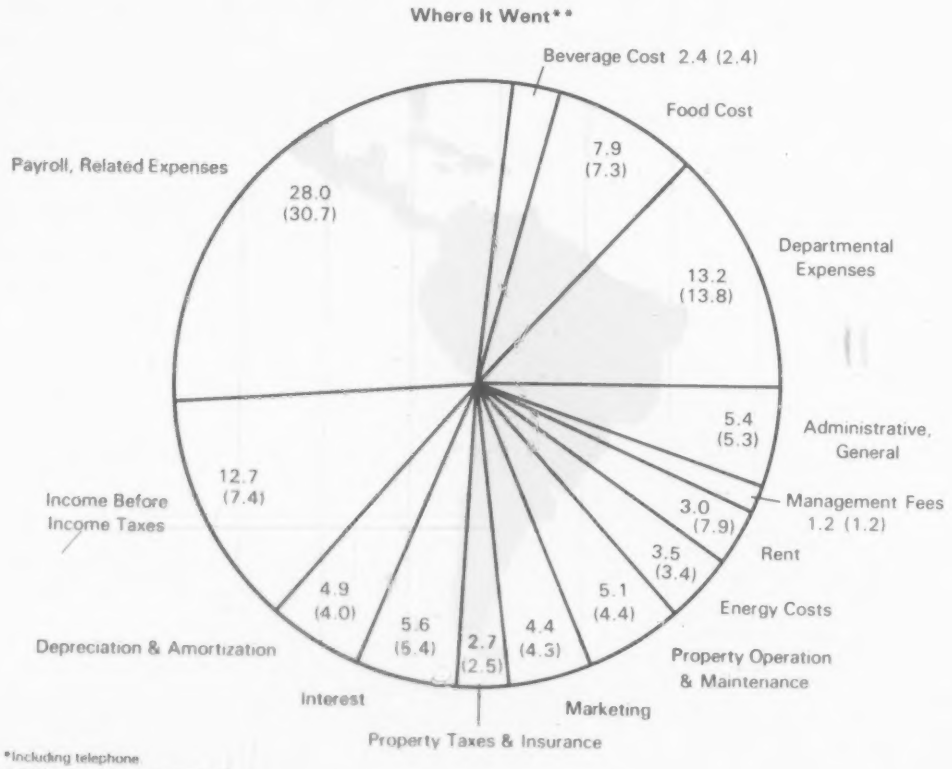
*Based on medians.

Exhibit V-3
Market Data* Latin America

	Total Region	Mexico	Central and South America
Source of Business			
Domestic	51.7%	42.7%	55.9%
Foreign**	48.3	57.3	44.1
Percentage of Repeat Business	33.9%	21.7%	40.0%
Composition of Market			
Government Officials	2.5	1.2	3.1
Businessmen	49.2	17.5	62.8
Tourists	34.2	64.2	21.4
Conference Participants	9.3	15.8	6.5
Other	4.8	1.3	6.3
Percentage of Advance Reservations	71.4%	58.8%	78.2%
Composition of Advance Reservations			
Direct	39.6%	21.3%	48.1%
Reservation Systems	26.3	18.1	30.1
Travel Agents & Tour Operators	31.4	56.1	19.9
Other	2.7	4.4	1.9
Ratio of Travel Agent Commissions to Room Sales	2.2%	3.9%	1.5%

*Arithmetic mean.
**Ratios exclude the U.S.

Chart 10: Latin America
Percentage Distribution of Revenue and Expenses



*Including telephone
**1982 percentages in parentheses

hotels. The percentage of repeat business decreased significantly in both regions compared with 1982 results. For Mexican properties, the percentage of returning patrons was only half of that reported by their Latin American counterparts. For the second straight year, however, the devalued Mexican currency made that country a popular tourist attraction—hoteliers reported that 64.2 percent of all hotel guests were tourists. These individuals made travel arrangements through agents and tour operators, and more than 58 percent reserved their accommodations in advance. In contrast, Central and South American respondents described typical guests as primarily visiting the region for business, and as making their own reservations in advance.

Exhibit V-4 presents the nationality of guests by subregion and shows comparative rankings for 1982 and 1983. This year the most frequent guests in both subregions were South Americans, reflecting the overall trend toward increased domestic travel. The devalued peso made Mexico an attractive tourist destination for Americans in 1983, as they comprised 48.6 percent of all guests in Mexican hotels last year, up from 38.8 percent in 1982.

Exhibit V-4
Nationality of Guests—1983*
All Hotels—Latin America

	Rank		Total Region	Mexico	Central and South America
	1983	1982			
South American	1	2	33.2%	0.3%	48.5%
American	2	1	28.4	48.6	19.0
Mexican	3	3	15.5	43.7	2.3
Central American	4	5	6.0	0.3	8.7
Other European	5	6	3.4	0.6	4.7
German	6	7	3.0	0.9	4.1
Canadian	7	4	2.9	3.7	2.5
British	8.5	9	1.7	0.6	2.3
French	8.5	8	1.7	0.6	2.2
Italian	10	10	1.5	0.6	1.9
Japanese	11	11	0.8	0.1	1.1
Scandinavian	12	12	0.5	0	0.7
Middle Eastern	13	13	0.4	0	0.6
Other Asian	16	15	0.3	0.1	0.4
Australasian	16	17	0.3	0	0.5
North African	16	16	0.3	0	0.4
Other African	17	14	0.1	0	0.2

*Arithmetic mean.

Performance measurements

A comparison of total sales and income and the ratios of income before fixed charges to room and total sales are presented in Exhibit V-5. The number of times the average room rate was earned is also given. Total sales per available room increased approximately 5 percent for all

Exhibit V-5
Comparison of Sales and Profitability*
Latin America

	Total Region		Mexico		Central and South America	
	1983	1982	1983	1982	1983	1982
Amounts Per Available Room						
Total Sales	$20,141	$19,217	$20,350	$11,482	$20,141	$23,187
Income Before Fixed Charges	5,216	4,122	8,199	4,027	4,959	4,865
Net Income** (Loss)	1,262	1,019	4,263	173	1,006	1,332
Ratio of Income Before Fixed Charges						
Room Sales	41.3%	46.7%	64.8%	50.5%	40.3%	40.9%
Total Sales	22.3	25.4	39.3	26.4	21.8	22.9
Number of Times Average Rate Was Earned	102	105	186	125	95	98
Increase (Decrease)	(2.9)%		48.8%		(3.1)%	

*All figures are medians.
**Before income tax.

of Region V, and 77.2 percent for Mexican operations. This small overall increase despite the gains made by Mexican hotels can be attributed to the decrease in sales reported by Central and South American hoteliers, from $23,187 in 1982 to $20,141 in 1983. When analyzing the net income before taxes category, it is important to realize that the significant increase in profits reported by Mexican properties is primarily due to the large increase reported in total sales.

Occupancy and average rate

The median occupancy rates shown in Exhibit V-6 declined for operations in both subregions during 1983, but most significantly for Mexican properties. The number of guests per room was fairly consistent with the results recorded for 1982. For the second consecutive year, the higher number of guests per room was reported by Mexican hoteliers. This is due to the high percentage of tourists traveling to this area. In contrast, Central and South American properties had much higher room rates.

Chart 11 provides a graphic representation of occupancy for 1982 and 1983 by subregion.

Exhibit V-6
Occupancy, Double Occupancy and Room Rates*

	Total Region		Mexico		Central and South America	
	1983	1982	1983	1982	1983	1982
Annual Room Occupancy	59.6%	72.0%	62.3%	76.8%	59.6%	66.1%
Number of Guests Per Room	1.40	1.41	1.87	1.86	1.36	1.30
Average Daily Rate						
Per Room (U.S. Dollars)	$49.69	$42.64	$34.92	$26.47	$50.29	$59.67
Per Guest (U.S. Dollars)	36.24	30.89	18.69	17.92	37.57	41.56

*All figures are medians

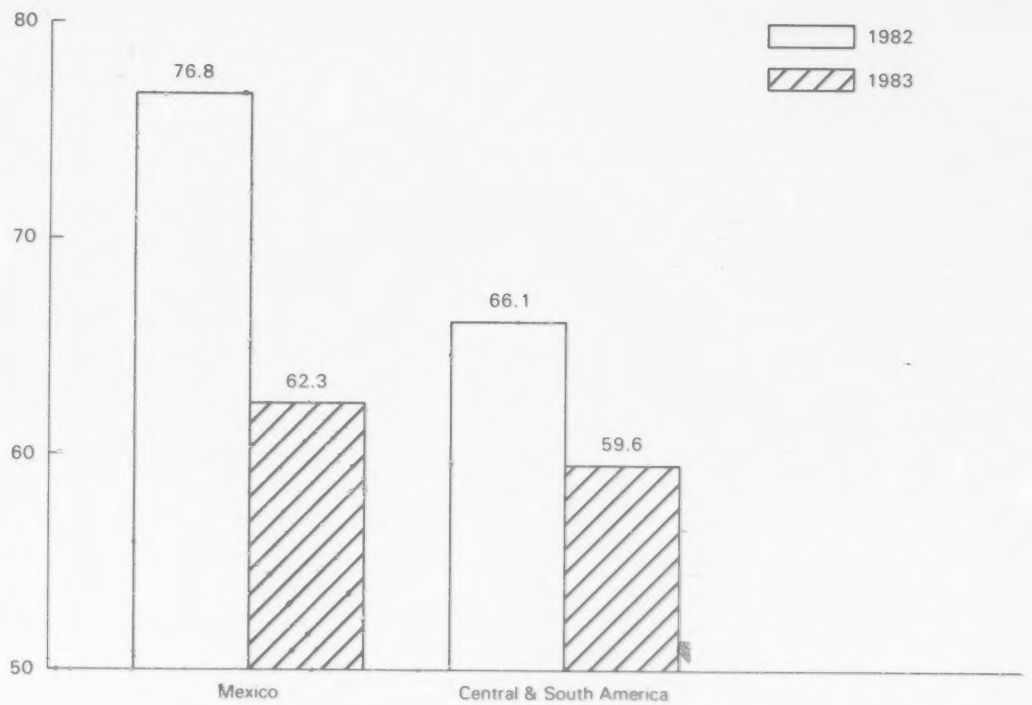


Chart 11
Region 5: Latin America Occupancy Rates
1982 vs. 1983

Analysis of sales

The composition of sales for the Latin American region in 1983 is illustrated in Exhibit V-7. For Mexican properties, 54.9 percent of total revenue was generated by room sales, an increase over 1982 results, while Central and South American operations attributed 53.9 percent of total revenue to room sales. This is a 6.4 percent decrease compared with 1982 results. Mexican properties were also able to generate a larger percentage of their reve-

Exhibit V-7
Composition of Sales*
Latin America

	Total Region	Mexico	Central and South America
Rooms	54.2%	54.9%	53.9%
Food	23.4	25.6	22.5
Beverage	11.8	11.6	11.8
Telephone	4.1	1.7	5.1
Minor Operated Departments	2.8	2.3	3.1
Rentals & Other Income	3.7	3.9	3.6
Total	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Exhibit V-8
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*
Latin America

	Total Region	Mexico	Central and South America
Telephone			
Amount Per Available Room			
Sales	$825	$258	$1,136
Cost of Sales			
Cost of Calls	773	142	888
Equipment Rental	23	26	23
Total	705	90	875
Payroll & Related Expenses	114	66	138
All Other Expenses	7	6	9
Total Cost & Expenses	853	157	1,095
Net Departmental Income (Loss)	$ (4)	$ 18	$ (35)
Ratio to Total Sales			
Sales	4.1%	1.6%	5.3%
Cost of Sales	3.5	0.9	4.1
Payroll & Related Expenses	0.7	0.4	0.8
Minor Operated Departments			
Amount Per Available Room			
Sales	$596	$500	$ 627
Cost of Sales	136	137	136
Payroll & Related Expenses	175	59	186
Other Expenses	39	38	47
Total Costs & Expenses	342	217	385
Net Departmental Income	$158	$159	$157
Ratio to Total Sales			
Sales	2.5%	2.3%	2.6%
Cost of Sales	0.6	0.5	0.6
Payroll & Related Expenses	0.8	0.3	0.8
Rentals & Other Income			
Amount Per Available Room			
Space Rentals	$151	$ 73	$ 176
Concessions	36	27	44
Commissions	119	NA	119
Other	214	457	197
Total Rentals & Other Income	$525	$356	$529
Ratio to Total Sales	2.4%	2.1%	2.4%

*All figures are medians and do not necessarily add to totals shown.
NA — Not available.

nue from food sales than other Latin American operations did. Beverage department results were approximately the same for both subregions.

Exhibit V-8 provides revenue and expense information for telephone and other minor operated departments as an amount per room and as a ratio to total sales. Only Mexican properties reported a profit in the telephone department. However, in the other minor operated department category, revenues were virtually the same for properties reporting from both subregions.

Restaurant operations

Hotel food and beverage statistics per available room and per seat are presented in Exhibit V-9. This table also gives the average sale per customer (average check) and the number of persons served (covers) per seat. Mexican properties reported the highest amount of food sales per seat this year, although Central and South American operations had the highest amount of beverage sales per seat at $720. The number of covers served per seat was significantly higher in all categories for 1983 than for 1982.

Exhibit V-9
Food and Beverage Statistics*
Latin America

	Total Region	Mexico	Central and South America
Food Sales — By Facility			
Amount Per Available Room			
Dining Room	$2,078	$2,943	$2,036
Room Service	360	197	375
Banquet	1,013	600	1,117
Bar/Lounge	98	20	116
Total	4,238	4,013	4,238
Ratio to Total Sales			
Dining Room	64.4%	79.4%	57.9%
Room Service	10.2	5.8	10.8
Banquet	26.0	15.1	27.4
Bar/Lounge	3.0	2.0	4.5
Amount Per Seat			
Dining Room	$2,374	$3,019	$2,238
Banquet	482	446	482
Bar/Lounge	107	NA	608
Total	1,041	1,767	1,029
Average Check			
Dining Room	$ 2.77	$ 2.69	$ 3.24
Room Service	2.83	2.11	4.23
Banquet	6.49	6.52	6.46
Total	3.30	3.05	4.41
Covers Served Per Seat			
Dining Room	750	743	757
Banquet	83	110	81

*All figures are medians and do not necessarily add to totals shown.
NA — Not available.

Exhibit V-9 (continued)
Food and Beverage Statistics*
Latin America

	Total Region	Mexico	Central and South America
Room Service Sales			
Per Occupied Room			
Food	$ 1.56	$ .89	$ 1.96
Beverage	.51	.53	.51
Total	2.17	1.21	2.35
Per Guest			
Food	$ 1.06	$ .58	$ 1.37
Beverage	.34	.25	.34
Total	1.38	.75	1.75
Beverage Sales—By Facility			
Amount Per Available Room			
Dining Room	$ 615	$ 509	$ 711
Room Service	104	125	104
Banquet	389	209	477
Bar/Lounge	973	965	1,201
Total	2,110	2,008	2,132
Ratio to Total Beverage Sales			
Dining Room	30.7%	30.1%	31.6%
Room Service	4.7	7.9	4.1
Banquet	20.9	14.5	25.1
Bar/Lounge	45.8	45.8	45.8
Ratio to Food Sales			
Dining Room	27.2%	14.2%	28.3%
Room Service	31.0	46.7	26.4
Banquet	43.9	36.1	45.2
Total (Including Bar/Lounge)	52.2%	46.3%	53.2%
Amount Per Seat			
Dining Room	$ 675	$ 316	$ 750
Banquet	237	176	237
Bar/Lounge	1,826	658	2,382
Total	$ 684	$ 478	$ 720

*All figures are medians and do not necessarily add to totals shown.

Payroll and related expenses

Exhibit V-10 provides information concerning payroll, employee benefits and employment statistics for Region V properties. Net payroll and related expenses for properties in Central and South America were higher than those reported by Mexican properties. Consequently, the 1983 productivity index, which is obtained by dividing total sales by net payroll and related expenses, is lower for these hotels.

Central and South American operations employed approximately 20 percent more full-time equivalent employees than Mexican hotels.

Exhibit V-10
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics*
Latin America

	Total Region	Mexico	Central and South America
Payroll & Related Expenses			
Amount Per Room			
Cash Payroll	$ 2,936	$ 2,164	$ 3,576
Net Payroll & Related Expenses**	5,354	3,215	$ 7,083
Employee Benefits— Ratio to Cash Payroll	70.7%	49.7%	74.4%
Cost Per Employee			
Cash Payroll	$ 2,282	$ 2,001	$ 3,857
Net Payroll & Related Expenses**	4,415	2,884	6,813
Employment Statistics			
Sales Per Employee			
Rooms	$44,093	$30,271	$44,770
Food & Beverage	13,964	11,581	16,203
Telephone	34,903	10,425	41,652
Minor Operated Departments	16,695	18,288	15,103
Total Sales Per Employee	$18,558	$12,823	$18,749
Productivity Index			
1983	2.99	5.51	2.85
1982	3.23	3.51	2.97
Number of Full-Time Equivalent Employees Per 100 Available Rooms			
Rooms	29.9	23.2	31.4
Food & Beverage	50.2	42.0	51.6
Telephone	2.6	1.8	2.9
Minor Operated Departments	4.0	6.4	3.8
Administrative & General	12.6	18.5	11.4
Marketing—Sales	1.8	1.5	1.8
Marketing—Other	.5	NA	.5
Property Operation & Maintenance	10.1	12.2	10.0
Personnel	1.7	NA	1.7
House Laundry	4.7	NA	4.7
Other	1.0	NA	1.3
Total	115.5	97.0	115.6

*Based on those supplying data. All figures are medians and do not necessarily add to totals shown.
**After credit for service charges.
NA-Not Available.

Exhibit V-11
Analysis of Undistributed Operating Expenses*
Latin America

	Total Region	Mexico	Central and South America
Administrative & General			
Cost Per Available Room			
Payroll & Related Expenses	$1,108	$ 633	$1,178
Other	942	718	1,128
Total	2,003	1,336	2,467
Ratio to:			
Room Sales	19.9%	15.4%	20.4%
Total Sales — 1983	11.5	7.6	11.8
Total Sales — 1982	11.1	12.2	10.5
Increase (Decrease)	3.6%	(37.7)%	12.4%
Marketing			
Cost Per Available Room			
Payroll & Related Expenses	$ 135	$ 85	$ 197
Other	825	908	784
Total	1,058	1,006	1,058
Ratio to:			
Room Sales	11.3%	12.2%	11.1%
Total Sales — 1983	5.7	5.9	5.6
Total Sales — 1982	4.8	7.1	3.9
Increase (Decrease)	18.8%	(16.9)%	43.6%
Energy Costs			
Cost Per Available Room	$ 705	$ 547	$ 818
Ratio to:			
Room Sales	8.3%	5.8%	8.3%
Total Sales — 1983	4.3	3.2	4.6
Total Sales — 1982	3.2	2.7	4.0
Increase (Decrease)	34.4%	18.5%	15.0%
Property Operation & Maintenance			
Cost Per Available Room			
Payroll & Related Expenses	$ 534	$ 343	$ 608
Other	812	920	733
Total	1,239	1,276	1,200
Ratio to:			
Room Sales	12.4%	12.8%	12.4%
Total Sales — 1983	7.1	7.2	6.6
Total Sales — 1982	6.5	7.7	6.5
Increase (Decrease)	9.2%	(6.5)%	1.5%

*All figures are medians and do not necessarily add to totals shown.

Undistributed operating expenses

Undistributed operating expenses are analyzed in Exhibit V-11 by cost per available room and as ratios to room and total sales. This exhibit shows the extreme differences between the operating costs of Mexican properties and their Central and South American counterparts. Mexican hotels experienced significant declines in administrative and general costs, marketing, and property operation and maintenance costs as ratios to total sales. Conversely, Central and South American operations reported increases in the same ratios. Both groups reported increased

energy costs as a ratio to total sales.

In 1983, energy costs per occupied room per day for Mexican and Central and South American properties rose 18.3 and 1.0 percent respectively from 1982 levels. Central and South American operations reported the highest net energy costs for 1983. Exhibit V-12 presents this information in more detail.

Credit and collection data

Exhibits V-13 and V-14 provide information covering the method of payment for hotel services and credit card usage in Region V. For the second consecutive year, credit cards were the most popular method of payment for hotel accommodations for both Latin American subregions. Cash transactions accounted for the second most common method of payment. Mexican properties had the higher annual cost per occupied room ($269) for credit card commissions as compared to Central and South American operations ($199).

Exhibit V-12
Energy Costs Per Occupied Room Per Day*
Latin America

	Total Region	Mexico	Central and South America
Fuel	$ .35	$ .25	$ .66
Electricity	2.10	1.47	2.71
Water	.59	.60	.59
Steam	.02	NA	.02
Credit for Sale of Energy	.05	.01	.05
Net Energy Cost — 1983	$3.06	$2.20	$3.99
Net Energy Cost — 1982	$2.84	$1.86	$3.95
Increase (Decrease)	7.7%	18.3%	1.0%

*All figures are medians and do not necessarily add to totals shown.
NA - Not Available

Exhibit V-13
Method of Payment for Hotel Services*
Latin America

	Total Region	Mexico	Central and South America
Cash	28.1%	37.4%	23.4%
Credit Card	38.0	33.8	40.2
Travel Agents & Tour Operators	13.2	21.8	8.8
All Other Credit	20.7	7.0	27.6

*Based on arithmetic mean.

Exhibit V-14
Credit Card Commission
Annual Cost Per Occupied Room*
Latin America

	Total Region	Mexico	Central and South America
Annual Cost Per Occupied Room	$204	$269	$199
Ratio to Total Sales	0.8%	1.3%	0.8%

*All figures are medians.

Exhibit V-15
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales*
Latin America

	Total Region	Mexico	Central and South America
Amount Per Room			
Rent	$1,078	**	$1,078
Property Taxes	460	183	1,020
Insurance on Buildings & Contents	131	227	131
Interest Expense	302	1,890	150
Depreciation & Amortization	382	1,131	882
Total Fixed Charges	$3,089	$3,497	$2,477
Ratio to Total Sales—1983	15.2%	21.1%	14.2%
Ratio to Total Sales—1982	17.8	20.8	15.0
Increase (Decrease)	(14.6)%	1.4%	(5.3)

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit V-16
Balance Sheet Statistics—Liquidity Ratios*
Latin America

	Total Region	Mexico	Central and South America
Current Position:			
Ratio of Current Assets to Current Liabilities	$ 1.17	$1.04	$ 1.22
Accounts Receivable:			
Amount Per Room	$1,219	$ 851	$1,235
Ratio to Total Sales	7.4%	7.1%	7.6%
Food Inventory			
Amount Per Room	$ 107	$ 85	$ 128
Annual Turnover	19.8	17.1	19.8
Beverage Inventory			
Amount Per Room	$ 119	$ 104	$ 212
Annual Turnover	3.4	3.0	3.4
Operating Supplies Inventory			
Amount Per Room	$ 597	$ 117	$ 810

*All figures are medians.

Fixed charges

A comparison per available room and the ratios to total sales of fixed charges are shown in Exhibit V-15. Fixed charges include rent, property taxes, insurance on buildings and contents, interest and depreciation. Significant differences in property taxes and interest costs were observed between Mexican and Central and South American hotels. As a ratio to total sales, total fixed charges increased 1.4 percent for Mexican properties and decreased 5.3 percent for Central and South American properties between 1982 and 1983.

Balance sheet statistics

The extent to which the participating hotels in Region V were able to cover current obligations during 1983 is displayed in Exhibit V-16. Higher annual food and beverage turnovers, as well as higher departmental contributions to total income, were reported by Central and South American properties.

Exhibits V-17 and V-18 provide detailed information on amount per room and ratio to total sales in an income and expense statement format for all Region V participants.

Exhibit V-17
Statement of Income and Expenses
Median Amounts
Per Available Room*
Latin America

	Total Region	Mexico	Central and South America
Rooms			
Sales	$10,688	$11,284	$10,650
Departmental Expenses			
Payroll & Related Expenses	1,100	702	1,411
Other	863	869	843
Total	2,242	1,632	2,249
Departmental Income	8,789	9,652	8,679
Food & Beverage			
Sales			
Food	4,238	4,013	4,238
Beverage	2,110	2,008	2,132
Total	6,412	6,232	6,550
Cost of Sales			
Food	1,427	1,360	1,542
Beverage	331	323	517
Total	1,769	1,684	2,204
Gross Profit	4,456	4,508	4,450
Public Room Sales	63	**	63
Other Income	122	523	87
Gross Profit & Other Income	4,610	4,736	4,610
Departmental Expenses			
Payroll & Related Expenses	1,964	1,223	3,049
Other	914	1,015	886
Total	2,933	2,373	3,778
Departmental Income	943	2,353	612
Telephone Departmental Income	(4)	17	(35)
Net Income From Minor Operated Departments	158	159	157
Rentals & Other Income	525	356	529
Gross Income	11,343	13,653	11,294
Undistributed Operating Expenses			
Administrative & General			
Payroll & Related Expenses	1,108	633	1,178
Other	942	718	1,128
Total	2,003	1,336	2,467
Marketing	1,058	1,006	1,058
Energy Costs	705	547	818
Property Operation & Maintenance	1,239	1,276	1,200
Total Undistributed Expenses	4,976	4,427	5,357
Income Before Management Fees	5,216	9,225	4,959
Management Fees	591	457	592
Income Before Fixed Changes	5,216	8,199	4,959
Property Taxes & Insurance	592	411	1,151
Income Before Interest and Depreciation	$2,156	$7,801	$1,927

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit V-18
Ratio to Total Sales*
Latin America

All ratios are based on total sales except those of the rooms and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

	Region Total	Mexico	Central and South America
Rooms			
Sales	100.0%	100.0%	100.0%
Departmental Expenses			
Payroll & Related Expenses	13.3	7.2	13.7
Other	8.0	12.0	7.2
Total	20.6	18.8	20.8
Departmental Income	79.4	81.2	79.2
Ratio to Total Sales	42.0	42.0	42.0
Food & Beverage			
Sales			
Food	65.7	68.4	65.3
Beverage	34.3	31.6	34.7
Total	100.0	100.0	100.0
Cost of Sales			
Food	34.3	35.2	34.3
Beverage	22.4	19.2	22.4
Total	30.2	29.2	30.3
Gross Profit	69.8	70.8	69.7
Public Room Sales	1.2	**	1.2
Other Income	2.3	8.7	2.1
Gross Profit & Other Income	73.6	76.7	73.0
Departmental Expenses			
Payroll & Related Expenses	41.2	23.0	44.6
Other	16.0	18.0	14.9
Total	56.5	40.9	60.9
Departmental Income	16.8	39.4	16.3
Ratio to Total Sales	6.0	13.2	5.4
Telephone Departmental Profit	(0.1)	0.2	(0.2)
Net Income From Minor Operated Departments	1.0	1.2	1.0
Rentals & Other Income	2.4	2.1	2.4
Gross Income	52.5	64.5	51.7
Undistributed Operating Expenses			
Administrative & General			
Payroll & Related Expenses	5.9	3.2	6.0
Other	5.2	4.7	5.5
Total	11.5	7.6	11.8
Marketing	5.7	5.9	5.6
Energy Costs	4.3	3.2	4.6
Property Operation & Maintenance	7.1	7.2	6.6
Total Undistributed Expenses	28.6	24.7	28.7
Income Before Management Fees	23.9	41.8	23.1
Management Fees	3.5	3.9	3.5
Income Before Fixed Charges	22.3	39.3	21.1
Property Taxes & Insurance	2.8	1.8	3.3
Income Before Interest & Depreciation	13.9%	37.0%	11.9%

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Region V
Currency Conversion Tables
1983 vs. 1982 Percentage of Change
Latin America

	1983 Factor [$US/(x)]	1982 Factor ($US/(x)]	Percentage of Change
Subregion 1—Mexico			
Mexico	0.00695	0.01430	(51.4)%
Subregion 2—Central & South America			
Argentina	0.04300	0.00002	2149.0%
Brazil	0.00102	0.00340	(70.0)%
Chile	0.01158	0.01445	(19.9)%
Colombia	0.01127	0.01420	(20.6)%
Ecuador	0.01848	0.03010	(38.6)%
Peru	0.00046	0.00130	(64.6)%
Venezuela	0.23256	0.23300	(0.1)%

Source: *International Financial Statistics*, December 1983, December 1982.

APPENDIX: EXPLANATION OF TERMS AND BASES USED

The accounting information has been accumulated using the 7th revised edition of the *Uniform System of Accounts for Hotels*, approved by the American Hotel & Motel Association, as a basis. The following paragraphs define the terms used in this study.

Room Sales

This category includes revenue from guest accommodations rented on a part-day, full-day, or longer period basis. The figures are net of any sales or turnover taxes and service charges paid to employees.

Revenue from public rooms ordinarily used for food and beverage service is not included in room sales.

Food Sales

This category includes revenue derived from the sale of food in restaurants, through room service or at banquets. Sales do not include meals charged by hotel management staff.

Beverage Sales

This category includes revenue from the sale of wine, spirits, liqueurs, juices, beers, ale, porter, mineral waters and soft drinks. Sales do not include beverages charged by hotel management staff.

Minor Operated Department Sales

This category includes revenue derived from telephone, laundry and valet services. It also includes income from casino operations, pool club memberships and other departments operated.

Other Income

This category includes profit on foreign exchange, concession income and other income such as commissions from auto rentals, garage, parking lots and salvage.

Store Rentals

This category includes all income from rental of stores and showcases.

Cost of Food Sales

This category includes the cost of food served to guests, together with transportation and delivery charges, at gross invoice price less trade discounts. The cost of employees' meals is charged to the appropriate department and does not constitute a part of the cost of food sold.

Cost of Beverage Sales

This category represents the cost of wines, spirits, liqueurs, juices, beers, ale, porter, mineral waters and soft drinks and all other material served as beverages, or used in the preparation of mixed drinks, at gross invoice price less trade discounts, plus import duties, transportation and delivery charges. The cost of employees' beverages is charged to the appropriate department and does not constitute a part of the cost of beverages sold.

Cost of Minor Operated Department Sales

This category represents the cost of telephone, laundry and valet sales and any other minor operated department sales.

Rooms Payroll

This category includes salaries and wages of personnel of the rooms department (front office, doormen and porters).

Also included are the employee benefits such as payroll taxes, social insurance, vacation and holiday pay, employees' meals, awards, social activities and pensions.

Food and Beverage Payroll

This category includes salaries and wages of personnel in the food and beverage department (purchasing, receiving, storage, preparation, service, dishwashing, cashiers, and control). Also included are all employee benefits, such as payroll taxes, social insurance, vacation and holiday pay, employees' meals, awards, social activities and pensions.

Minor Operated Department Payroll

This category includes salaries and wages of personnel in all minor operated departments, including telephone, guest laundry, valet, casino and pool. Also included are all employee benefits such as payroll taxes, social insurance, vacation and holiday pay, employees' meals, awards, social activities and pensions. House laundry and employee cafeteria payrolls are not included as they have been allocated to the various departments and are included in other expenses.

Other Expenses

The term "other expenses" can cause confusion. At first sight, it is a loose term—for example, the expression "wages and other expenses" could be interpreted as "wages and all additional expenses incurred in operating a facility." However, its meaning is precise and refers to direct departmental expenses incurred in the operation of a department or service (rooms department, sales office).

Rooms, Other Expenses

This category represents expenses other than rooms payrolls as defined above, such as rooms cleaning supplies, guest supplies, laundry, linen, reservation expenses, paper supplies and travel agents' commissions.

Food and Beverage, Other Expenses

This category includes items such as china and glassware, cleaning supplies, decorations, guest supplies, laundry, linen, music and entertainment, menus and beverage lists, silver and uniforms.

Minor Operated Departments, Other Expenses

This category includes items such as telephone equipment rental, laundry supplies, casino uniforms, casino entertainment and pool supplies.

Undistributed Operating Expenses

This classification is used for (1) administrative and general expense, (2) marketing expense, (3) energy costs, and (4) property operation and maintenance expense. Each of these can be considered as an individual entity. Some examples of the expenses included are:

- Administrative and general other expense includes cash overages or shortages, commissions on credit cards, collection charges, executive office expense, general insurance, postal, legal expense, trade association dues, traveling expenses, accountants and consultants fees.
- Marketing other expense includes advertising in all media and applicable travel expenses and supplies.
- Energy costs include the cost of electrical power, fuel, steam and water.
- Property operation and maintenance includes the cost of repairing buildings, electrical and mechanical equipment and fixtures, floor coverings, furniture, grounds and landscaping plus the cost of electric bulbs, mechanical supplies and removal of waste matter.

Income Before Fixed Charges

For purposes of this study, income before fixed charges is defined as the total of rooms department income, food and beverage department income, minor operated department income, store rentals and other income, less all undistributed expenses.

There are thus three levels of profit in the study. The first level is departmental profit (rooms, food and beverage, minor operated); the second is gross income (the sum of departmental profits plus store rentals and other income); the third is income before fixed charges (gross income less undistributed operating expenses).

Room Statistics

The published number of rooms for rental in a hotel usually differs from the actual number of rooms available—only the rooms permanently available to the public are used in computing ratios.

The number of rooms available in a period (usually a year) is the number permanently available multiplied by the days in the period.

The number of rooms occupied is the sum for the period of rooms rented to guests daily.

The number of guests is the sum of the daily house counts for a period.

Rate of Occupancy

The rate of occupancy is derived from the room statistics above. The average annual room occupancy is the ratio of total occupied rooms to total available rooms.

Average double occupancy is represented by total number of guests divided by total number of rooms occupied. This result can be expressed either on a guests per room basis, or as a percentage. Thus.

$$\frac{\text{total number of guests}}{\text{total occupied rooms}} = \frac{75}{50} = 1.50$$

This can be expressed as a double occupancy of 50 percent, or as 1.5 guests per occupied room.

Average Rate

There are two quantities widely used to express rooms sales on a unit basis—average room rate and the average rate per guest.

The average room rate is defined as room sales divided by the total number of rooms occupied.

The average rate per guest is defined as room sales divided by the total number of guests.

Number of Times Average Room Rate Was Earned

This measurement of operating efficiency is calculated by dividing income before fixed charges (house profit) per available room by the average room rate.

Food and Beverage Department

The ratios in the restaurant department are based on total food and beverage sales. The single exception is cost of sales. Cost of food sold is expressed as a percentage of food sales. Similarly, the cost of beverages sold is expressed as a percentage of beverage sales.

Current Ratio

The current ratio is defined as current assets, divided by current liabilities. The current portion of long-term debt has been excluded from current liabilities.

Inventory Ratios

Inventory figures taken from the balance sheet have been directly related to operations.

Average inventory is the sum of opening and closing inventories divided by two.

The turnover ratios represent cost of sales divided by average inventory.

Accounts Receivable Ratio

Average accounts receivable is the sum of opening and closing accounts receivable divided by two.

The turnover ratio represents sales divided by average accounts receivable.

Other publications relating to the lodging and leisure time industries are produced by Horwath & Horwath International (HHI) and individual member firms of HHI. Publications released by HHI can be obtained from the organization's headquarters in New York or any member firm. Publications produced by member firms are available directly from the HHI member firm that issues the publication. A directory of HHI member firms is on pages 107-108. A fee is charged for some of the listed publications and books.

HHI Publications

Worldwide Lodging Industry Digest
Trends in World Tourism (published in conjunction with the International Hotel Association)
Tourism Multipliers Explained (published in conjunction with the World Tourism Organization)
A Profile of Government Financial and Grant Aid to Tourism (published in conjunction with the World Tourism Organization)

Lodging Studies

Canada
Caribbean
France
Israel
Mexico
Netherlands
Paris
Sweden
United Kingdom
United States (Individual studies are available for California, Florida, Texas)
Venezuela

Other Leisure Time Industries Publications

United Kingdom:
Guidelines on Tourism Investment (published in conjunction with the World Tourism Organization)
Holiday Surveys Examined: A Pilot Guide to National Holiday Surveys in Western Europe by Professor S. Medlik
Hotel and Tourism Development (Jonathan Bodlender)—Presentation to the International Hotel Association and the American Hotel and Motel Association
Books written by personnel of the U.K. member firm of Horwath & Horwath (U.K.) Ltd. and Stoy Hayward and Co.:
The Business of Hotels by Professor S. Medlik
Hotel Accounts and Their Audit by Lawrence S. Fenton and Norman A. Fowler
United States:
U.S. Economy Lodging Industry
National Trend of Business in the Lodging Industry (plus various regional Trends)
Financing the U.S. Lodging Industry: Players and Techniques of the 1980s
California Restaurant Operations
Restaurant Operations Report (published in conjunction with the National Restaurant Association)
Financial Results & Reporting Trends in the Gaming Industry
Books written by personnel of the U.S. member firm of Laventhol & Horwath:
Hotel Accounting by Ernest B. Horwath, Louis Toth and John D. Lesure
Planning and Operating Motels and Motor Hotels by George Podd and John D. Lesure
Profitable Restaurant Management by Kenneth I. Solomon and Norman Katz

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